

2003 - 04

SASKATCHEWAN
Provincial Budget

BUILDING FOR THE FUTURE

Budget Summary



SASKATCHEWAN
The Hon. Jim Melenchuk
Minister of Finance

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Building for the Future

A Plan

"Building for the Future" is a vision, a plan, the Government has for Saskatchewan.

Building for the future is about building momentum – for growth and opportunity – and building programs and support for Saskatchewan people. Building for the future means having:

- Healthy and Self-Reliant Families
- Opportunities for Youth
- A Prosperous and Competitive Economy
- Modern and Competitive Infrastructure
- Strong and Vibrant Communities

Budget 2003-04 sets out plans and activities to continue building for a brighter future in Saskatchewan.

The following pages offer some of the highlights for the upcoming year and beyond. Additional information is available in the new publication *Our Plan for 2003-04*, which can be accessed along with all Budget documents at www.gov.sk.ca/finance/budget.

10th Balanced Budget

Over the past decade, the Government of Saskatchewan has followed a balanced budget approach to financial management. Budget 2003-04 follows that tradition. This is the Government's 10th consecutive balanced budget, demonstrating a strong commitment to sound, prudent financial planning.

Last year's Budget (2002-03) was balanced without a transfer from the Fiscal Stabilization Fund; in fact, a \$2.1 million surplus is forecast for the year. The Fund has served its purpose well, allowing the Province to draw on it when required, using discretion and financial prudence. It has proven to be a sound financial tool for the Government. Budget 2003-04 estimates a \$393 million transfer from the Fund – to help meet the needs and priorities of Saskatchewan people.

Fulfilling Commitments

In spite of facing significant challenges, largely due to two years of devastating drought conditions, the Government continues on the right track. In fact, with a return to normal crop production, Saskatchewan's economy is expected to grow by 6.8 per cent in 2003.

Despite the challenges, the Government has been accountable to Saskatchewan people and has fulfilled its commitments to Saskatchewan people. These commitments include:

- **Financial Management** – Saskatchewan's commitment to financial management has been recognized by independent sources and respected credit rating agencies, with the Province receiving 10 credit rating upgrades since 1995.

- **Tax Reform** – The Government has been lowering taxes over the last decade and during the last three years has made dramatic reductions. A family of four earning \$50,000 used to pay \$4,000 in personal income tax; now they pay \$2,500 – a 37 per cent reduction. Tax reform has put \$1,500 back into the hands of this family.

As well, the flat tax, the high-income surtax and the debt reduction surtax have been eliminated. Tax rates have been reduced three times in the last three years. Government has helped families and seniors further reduce their taxes by introducing a supplement to the senior tax credit and Canada's only universal child tax credit.

The Government is making the taxation of Saskatchewan families and businesses as fair and competitive as possible, while protecting the vital public services that define our quality of life.

- **Health** – Saskatchewan has one of the best managed health care systems in Canada. In fact, many of the reforms recommended by the Romanow Commission on Health Care were already implemented or in existence in Saskatchewan before the Romanow Report was released.

The Government continues to place a high priority on health care in Saskatchewan, responding to the needs of Saskatchewan people. Record levels of funding have gone to health care over the last few years, with \$2.5 billion for health care in 2003-04.

While the 2003-04 Budget estimate of operating spending represents a \$186 million (3.2 per cent) increase relative to the 2002-03 forecast and a \$284 million (5.0 per cent) increase on a budget-over-budget basis, it is

important to note that almost two-thirds (\$184 million) of the budget-over-budget increase is for health. Almost one-third, or \$92 million, is for education.

- **Highway Improvements** – The Government made a commitment to invest \$900 million over three years to fix the roads and build better highways. In 2001-02, \$309.3 million was invested, and in 2002-03, \$294.5 million was invested. With this year's \$296.2 million investment, Government has met the \$900 million commitment, while accelerating twinning on Saskatchewan's main transportation corridors – Highways 1 and 16 – at the same time.

Budget 2003-04 Highlights

Highlights of Budget 2003-04 include:

- A record \$2.5 billion for health.
- A record \$1.2 billion for education.
- An investment of \$296 million for highways and roads, meeting the government's three-year \$900 million commitment.
- An investment of \$145 million for Research and Development (R&D) expenditures and tax credits.
- A \$10 million increase in revenue-sharing grants for municipalities, for the second year in a row.
- A corporate tax reduction for Saskatchewan-based businesses, including a reduction in the small business Corporation Income Tax rate from 6.0 per cent to 5.5 per cent January 1, 2004, and a further reduction to 5.0 per cent in 2005.

- **More than \$300 million** in capital projects this year. Highlights include:

- ~ **\$76 million*** in capital improvements for **educational facilities:** for new schools and upgrades and enhancements to existing schools across the province.
- ~ \$27 million in **health** capital projects, and **\$19 million** in **new medical equipment** this year.
- ~ **\$29 million** in improvements this year through the **Centenary Fund**, as Saskatchewan builds towards its 100th year as a province. This includes almost \$10 million in capital money for schools and post-secondary institutions, \$5.1 million for municipal infrastructure, \$4.5 million for enhancements to heritage properties and parks, \$4.8 million for highways, rural roads and environmental clean-up projects, and \$5 million for social housing.
- **\$650 million** in **Crown corporation investments**, for expanding and upgrading their services in 2003. From 1993-2002, Crown Investments Corporation Crowns have invested **\$5.65 billion** in capital projects in Saskatchewan. Crowns contribute to the economy by providing 9,000 jobs – half in Regina and half throughout the province; as well, over 12,000 local businesses are supported by the Crowns through over \$1 billion in annual purchases of goods and services under “buy Saskatchewan” policies.

Healthy and Self-Reliant Families

The Government is undertaking numerous initiatives to support the goal of having healthy and self-reliant Saskatchewan families.

Multi-Year Commitments

- **Health** – The Government is providing \$27 million in health capital funding this year to allow for planning and preparation of an expanded capital program totaling \$34 million in 2004-05. This capital funding includes funding for a new hospital at Ile-à-la-Crosse, as well as funding for the Fort Qu'Appelle First Nations Hospital, the Weyburn Tatagwa View care home, the Yorkton Long-Term Care facility and Melfort's Parkland Place.
- **Housing** – The Government is committed to a five-year federal-provincial program to build 1,500 housing units. Total cost of the program is \$45.9 million.
- **Child Care** – Over the next five years, in partnership with the federal government, the Province will enhance licensed child care including developing 500 new child care spaces this year.
- **Physical Fitness** – The Centennial Funding program will direct \$10.5 million over three years towards programs and initiatives in Saskatchewan communities which promote and encourage physical fitness.

* \$76 million total includes almost \$10 million in Centenary Funding

For 2003-04

In addition to the multi-year initiatives, the Government is undertaking numerous other initiatives in support of healthy and self-reliant families for 2003-04:

- **Health** – Government is using \$32 million from the Federal Health Reform Fund for primary home care and catastrophic drug coverage.

There is \$19 million in funding for medical equipment.

There is new funding of \$2.5 million for Health Action Plan initiatives, such as implementing the 24-hour health telephone advice line province-wide, and training additional emergency medical technicians (EMTs).

There is increased base operating funding of \$89.7 million (6.0 per cent increase) to Regional Health Authorities (RHAs), which includes \$74 million to support collective agreements that will help to maintain the existing staff of health professionals and encourage others to train in these professions. In addition, the increase in base funding will accommodate an additional 54 patients for renal dialysis; conduct 400 additional cardiac surgery procedures; conduct an additional 7,000 CT scans; and provide additional capacity to handle poison information calls.

There is also increased targeted support of \$13 million (90 per cent increase) to RHAs which will meet Saskatchewan's federal Health Reform Accord obligations to improve primary care services and home care services.

Recruitment and retention will remain a priority:

- ~ Saskatchewan will continue with return-service bursary and professional development programs; and train 235 students in the College of Medicine.

- ~ The Province is also providing funding for an interest subsidy to enable medical students to obtain an interest-free line of credit.

- ~ \$3.0 million in funding for the health human resources strategy will be continued in 2003-04. Part of this program will be targeted to student bursaries. In total, over \$1.0 million in provincial bursaries will be provided to nursing and other health professions students.

- ~ Funding of \$2.1 million will be maintained for medical student and resident bursaries, and rural incentive programs.

- ~ \$4.4 million will continue to fund a variety of programs designed to recruit and retain physicians and specialists in the province.

- ~ Funding of \$4.0 million will be maintained for the Physician Long-Term Service Fund retention initiative.

Among many measures to improve patient services, Saskatchewan is implementing the surgical waitlist registry, introducing a new system to collect complete prescription drug information, and piloting a clinical tool for assigning surgical priorities.

- **Long-Term Safe Drinking Water Strategy** – 19 multi-year water and sewer projects have already been approved for \$10.1 million of federal and provincial funding under the Canada-Saskatchewan Infrastructure Program (CSIP). Projects include the Lumsden water treatment plant, the Maidstone well pipeline and water treatment upgrade and a new sewage lagoon and effluent irrigation system in Fort Qu'Appelle. Also, under the Northern Water and Sewer Program, \$4.9 million will be spent on 24 projects in 18 communities.

As well, 16 water control structures throughout the province will be repaired and upgraded and inspections and preparatory work for a further eight projects will be undertaken at a cost of \$3.7 million through the Saskatchewan Watershed Authority. These structures are an essential means of managing the Province's water resources and ensuring water supply to all Saskatchewan residents.

In addition, the number of certified waterworks operators will climb to 475, an increase of 149 from last August. The Government now has 58 full-time-equivalent staff positions dedicated to drinking water issues – including water inspection and monitoring.

Opportunities for Youth

To build for the future, Saskatchewan must build for our youth – because they are the future.

Multi-Year Commitments

- **Education** – Over the next two years, the Government will invest \$110 million to help ensure high quality learning facilities are in place for students. The Province is funding K-12 projects such as new schools in Ile-à-la-Crosse, Carnduff, Cabri and Nipawin, and renovations in Dalmeny and Prince Albert. Other school construction announcements will be made over the next few months.

Saskatchewan's post-secondary facilities are undergoing significant development. The Province is continuing to support construction of the Sports Complex at the University of Regina. The University of Regina will also receive support for feasibility and planning for the Laboratory Building. At the University of Saskatchewan, the Government is supporting restoration of the College Building and the

Research Annex, and is investing \$800,000 for feasibility and planning to look at options for developing an Academic Health Sciences Centre. The Province is also continuing support for a major capital project at the Meadow Lake Campus of the North West Regional College, and will continue to support post-secondary institutions which are financing other major capital projects.

For 2003-04

- **Education** – Government is funding the full cost of the teachers' contract for 2003-04, lightening the financial burden for school boards.

The successful community schools program will be expanded. To date, there are 88 community schools, with 10 more to be added this year.

There is also more money for students to pursue their post-secondary goals. For the 2003-04 academic year, the Government will triple the scholarship exemption for Saskatchewan student loans, from \$600 to \$1,800, and increase the earning exemption from \$600 to \$1,700. This will match the increases for Canada student loans announced in the recent federal budget.

\$66 million in Saskatchewan Student Loan assistance will be available to help almost 17,000 students. Over half of this amount will be provided as bursaries and/or grants, reducing Saskatchewan student debt levels to among the lowest in the country.

Saskatchewan Learning will provide funding to support approximately 80,000 enrolments in post-secondary education and training programs during 2003-04. This includes more than 30,000 university students.

There is funding for more than 25,000 training spaces between the departments of Learning and Community Resources and Employment (formerly Social Services). These include 260 spaces in each year of the four-year Nursing Education Program of Saskatchewan (NEPS) and 144 spaces for training practical nurses. As well, there is funding for nearly 5,400 training opportunities in the skilled trades through the Apprenticeship and Trade Certification Commission, more than 70 spaces at out-of-province institutions to provide training for health technicians, and eight more spots in Respiratory Therapy training.

The Centennial Student Employment Program provides summer and part-time jobs throughout the year for high school and post-secondary students returning to school. 700 students this year will have jobs through this program, with Government paying 75 per cent of their salaries to a maximum of \$3,500.

- **For Youth at Risk** – In co-operation with First Nations groups, Government worked last year to set up a safe shelter in Regina for youth exploited in the sex trade – \$300,000 will go to that effort again this year.

Implementation of a new *Youth Criminal Justice* Act will focus on crime prevention, rehabilitation and youth accountability.

The Auto Theft Strategy, which has reduced auto thefts in Regina by 37 per cent since it began, will be expanded.

Funding of \$120,000 will go to the Saskatchewan Youth in Care and Custody Network to provide support to youth who are currently in care of the Minister of Saskatchewan Community Resources and Employment – or those who were formerly in care – to give these youth an advocacy group on child welfare programming and other youth serving development.

Modern and Competitive Infrastructure

A modern and competitive infrastructure is also vital to build for the future. From roads and highways to water and sewer systems, Saskatchewan people depend on a strong infrastructure to support them in their business endeavors and day-to-day tasks.

Multi-Year Commitments

- **Highways** – Over the next five years the Province will finish the National Highway System twinning initiative announced in 1997, with Highway 1 west completed this year, Highway 1 east completed in 2007 and Highway 16 between North Battleford and Lloydminster also completed by 2007.

Over the next three years, over \$90 million will be invested to upgrade 450 km of rural highways to a paved standard through the Prairie Grain Roads Program. These upgrades will occur in strategic rural corridors to support movement of commodities in the agriculture, oil and gas industries. (In southeast Saskatchewan, these include sections of Highway 8 and 48; in southwest Saskatchewan, these include sections of Highway 13 and 37; in northwest Saskatchewan these include sections of Highways 3 and 26; in west central Saskatchewan these include sections of Highways 21, 31, 40 and 45).

Over the next two years, the Province will finish rebuilding 30 km of Highway 6 between the US border and Regina, creating a paved standard link that supports increased truck haul along this vital north-south trade corridor.

Over the next three years, the Province will continue rebuilding sections of northern highways to support increased haul in the forestry industry. These include sections of Highway 155 south of Beauval, and Highway 55 northwest of Meadow Lake.

Over the next three years, the Province will invest about \$63 million to preserve the 7,000 km of Thin Membrane Surface highway network.

The Province will invest over \$220 million over the next three years to preserve the 13,400 km of paved highway network and rehabilitate more than 1,100 km of paved highways.

- **CSIP** – The Province is continuing its commitment to the Canada-Saskatchewan Infrastructure Program (CSIP), which will make \$170 million of infrastructure funding available to municipalities over five years for green municipal/environmental and transportation infrastructure. This includes funding for an ongoing commitment to the Northern Water and Sewer Program.
- **Other Capital Funding** – The Province is investing \$150,000 for more detailed planning for the replacement of the Regina Correctional Centre.

The Province is prepared to consider options, in partnership with the City and Federal Government, to deepen Wascana Lake in Regina in preparation for the 2005 Summer Games.

The Province is also investigating renewal of its water bomber fleet, to fight forest fires.

For 2003-04

- **Highways** – In total, Saskatchewan is spending more than \$296 million this year on roads and highways, which includes the accelerated twinning work mentioned earlier in this section, as well as resurfacing more than 385 km of provincial highways, upgrading 245 km of Thin Membrane Surface (TMS) highways to a paved surface, and investing more than \$31 million to preserve, operate and improve provincial highways, airports and bridges in northern Saskatchewan.

- **Centenary Fund** – Through the Centenary Fund, almost \$10 million is going towards municipal infrastructure projects, as well as highways, rural roads and environmental clean-up projects. In addition, nearly \$10 million in Centenary Funds will go towards new and improved K-12 and post-secondary educational infrastructure and over \$9 million will go towards affordable housing, heritage initiatives and parks. By the end of the year, the Province will have invested more than \$100 million in Saskatchewan communities through this program.

- **Funding for Municipalities** – The Province is increasing municipal revenue sharing grants by \$10 million for the second year in a row. This is a 15.4 per cent increase. The Province will also increase revenue sharing to support municipalities by a further \$10 million in 2004-05 to help them cost share in a new federal-municipal infrastructure program scheduled to commence in 2004-05.

As well, there is funding to purchase 17 new transit vehicles for people with disabilities, bringing the total to 126 vehicles in the provincial fleet under the Transit for the Disabled Program. Including the 2003-04 funding, since 2000-01, a total of 71 vehicles, or almost 60 per cent of the fleet, has been replaced and five new vehicles have been added.

- **CommunityNet** – CommunityNet is making it possible for SaskTel to expand its commercial high-speed Internet service to residences and businesses more quickly than it originally planned. Service will be extended this year, bringing the total to 237 communities. This rapid expansion of high-speed Internet will make Saskatchewan the most connected province in Canada. This expansion will allow

Saskatchewan businesses to better compete in the global marketplace by opening doors for the sale of locally-manufactured goods and services to millions of potential customers throughout the world.

- **Funding for Urban Parks** – The Province is providing a 10 per cent – or \$172,000 – increase in supplementary funding divided between major urban parks in Regina (Wascana Centre Authority), Saskatoon (Meewasin Valley Authority), Moose Jaw (Wakamow Valley Authority) and Swift Current (Chinook Parkway).

A Prosperous and Competitive Economy

A prosperous and competitive economy is critical to building for the future. Saskatchewan will be among the leaders in economic growth in North America this year. Saskatchewan's strong and vibrant economy enables building for the future, to educate and to train and to employ Saskatchewan youth here at home. The Province's strong economy also enables us to make priority investments in health care, education, agriculture and infrastructure.

Multi-Year Commitments

- **SRC Research Dollars** – \$4.8 million in research dollars will be invested by the Saskatchewan Research Council (SRC) over three years, with \$1.5 million going to biotechnology; \$300,000 for ethanol technologies; \$300,000 for the Canadian Light Source synchrotron to develop, for example, new analytical techniques to improve diamond exploration success; \$2.7 million for the Petroleum Technology Research Centre to develop methods to recover crude oil, etc.
- **WEPA** – Renewal of the Western Economic Partnership Agreement (WEPA) will total \$50 million in cost-shared funding between the federal and provincial governments over five years for infrastructure projects that support economic growth.
- **Ethanol Rebate** – Almost \$39 million over three years for the ethanol fuel tax rebate program.
- **Tax Reduction Strategy** – The final stage of Personal Income Tax reform was introduced January 1, 2003 with lower tax rates and higher family tax credits and will result in a further tax reduction of about \$78 million per year. Saskatchewan's top marginal tax rate is third lowest in Canada. Beginning January 1, 2004, the personal income tax system will be fully indexed to inflation. This means that the amount of tax payable on a fixed amount of income will decline every year.
- **Incentives for Business** – The small business Corporation Income Tax rate will be reduced from 6.0 per cent to 5.5 per cent January 1, 2004 and to 5.0 per cent on January 1, 2005 – that will be half of what it was in 1991. The Province is also expanding the incremental Corporation Capital Tax exemption for Saskatchewan-based companies from \$5 million to \$7.5 million January 1, 2004 and to \$10 million as of January 1, 2005. The Corporation Capital Tax exemption will be \$20 million for companies which are fully located in the province.
- **Research and Development** – The 2003-04 Budget provides \$145 million for Research and Development (R&D) expenditures and tax credits, an increase of \$9.1 million (6.7 per cent) from 2002-03. This includes:

For 2003-04

- Economic development – 5.8 per cent increase;
- Health research and evaluation – 22.4 per cent increase;
- Natural resource extraction and processing – 26.7 per cent increase; and
- Universities, where research infrastructure and general academic and scientific research is supported through their operating grants – three per cent increase.

The R&D tax credit in support of private sector R&D is estimated to be \$10 million, an increase of 51.5 per cent over last year.

- **WEPA** – Through the Western Economic Partnership Agreement (WEPA) there is \$2 million for an RCMP Heritage Centre in Regina, \$335,000 for a Business Development Centre for the Synchrotron in Saskatoon, and \$2.5 million for a forestry centre in Prince Albert.
- **Our Future is Wide Open Campaign** – In Saskatchewan, Our Future is Wide Open, and the ad campaign promoting that concept – that **reality** – is making strides. Saskatchewan Industry and Resources has undertaken many initiatives outside Saskatchewan, promoting the province – including testimonial ads in the national newspapers which show Saskatchewan business people endorsing the province as a great place to live and do business.

Strong and Vibrant Communities

The Government strives for strong and vibrant communities. So people can flourish. So they can feel safe. So they can find the supports they need, when they need them. The Government is building for the future, by strengthening social programs.

Multi-Year Commitments

- **Centennial Program** – Funded by the Community Initiatives Fund, \$19 million will be directed into the Centennial Program over three years to Saskatchewan communities for programs that encourage physical fitness, for infrastructure and capital projects, and for initiatives that encourage Aboriginal access to culture and recreation.

For 2003-04

- **Justice** – Saskatchewan Justice will see a \$6.9 million or 3.8 per cent funding increase. A portion of this money will go towards hiring 10 new police officers as part of an innovative alternative measures program to help reduce court time/shorten the judicial process.
- **Community Resources and Employment** – The budget for this department (formerly Social Services) is \$3.4 million – or 0.6 per cent – lower than last year, primarily due to further social assistance program caseload reductions, offset by increased federal funding for children's and disabled benefits.

An additional \$1 million in Social Assistance Program (SAP) funding will go to people with disabilities, together with \$2 million to create over 950 additional employment support spaces to assist disabled SAP clients develop and sustain labor force attachment.

Over the next five years, the Province will, in partnership with the federal government, enhance licensed child care. In 2003-04, the initial year, Saskatchewan will **more than double** the federal contribution to provide \$1.8 million to develop 500 new child care spaces this fiscal year. Provincial programs will support more than 7,800 spaces in our 450 licensed child care facilities. Day care subsidies will be provided for 3,700 children in 2,700 families.

In 2004-05, Saskatchewan's share of the federal funding will increase to \$2.6 million, and will eventually reach \$12.2 million in 2007-08.

Social Assistance Program (SAP) cases are expected to fall by 2,400 through emphasis on labor market attachment.

The number of children in care of the Minister of Community Resources and Employment is projected to decrease from 2,938 to 2,800.

The Early Childhood Development Strategy will create 80 new child care spots for children in vulnerable situations.

Housing programs will provide 20,000 directly owned housing units in 348 communities, and another 12,000 units supported through Community Based Organizations (CBOs).

Through the Saskatchewan Housing Corporation, the Province will be making conditional commitments to CBOs for the construction of more than 400 new homes under the Centenary Affordable Housing Program this year.

The Government is also continuing its commitment to CBOs with a three per cent salary increase.

- **Agriculture** – The province overall – and rural Saskatchewan communities in particular – depends on a strong agricultural economy. Saskatchewan has signed on to the federal government's Agricultural Policy Framework. The Province will continue to press producers' case to negotiate a better deal from the federal government in support of farmers.

The Farm Families Opportunity Initiative will continue to help farmers improve their skill set and undertake diversification and development initiatives on their farms. This year, approximately 500 clients will be served through this program.

The Conservation Cover Program will continue in 2003-04, with \$3.9 million in funding. This program allows farmers to convert marginal lands to perennial cover. Last year, 300,000 acres were converted.

- **A Healthy Environment** – Building for the future means taking steps to ensure a clean, green, environment.

\$1.6 million will be invested in environmental clean-up efforts, finishing cleanup of the Northern Petroleum Refinery in Kamsack, the Woodland Campus in Prince Albert, Inland Steel in Saskatoon, and approximately 30 orphaned petroleum storage sites.

\$1.3 million in Enhanced Forestry Funding will go towards a forest fire prevention and awareness program, and enhanced provincial forest inventories to help ensure forest industry development occurs in an environmentally responsible manner.

The Province is working with First Nations on community policing to develop protocols for enforcing environmental laws on reserve.

The Government is supporting energy conservation and efficiency initiatives by the Office of Energy Conservation and is seeking funding from the Government of Canada to implement a variety of measures.

Support continues for climate change research, awareness and technology initiatives by the Petroleum Technology Research Centre, Climate Change Saskatchewan, International Test Centre for Carbon Dioxide Capture and Prairie Adaptation Research Collaborative (PARC).

SaskPower is committed to balancing the electrical needs of its customers with a commitment to minimize its impact on the environment. Produced by the power of the wind, SaskPower's GreenPower product is a

tangible way of achieving that balance. Along with the environmental benefits, harnessing the wind has far-reaching economic benefits, with more than one-third of the work conducted during the Cypress Facility construction having a Saskatchewan component. That translates into approximately a \$4.1 million financial injection into the provincial economy. With both the Cypress and SunBridge wind power facilities in operation, Saskatchewan is currently the third largest wind power producer in Canada, generating 17 MW of renewable electricity – enough to meet the equivalent electrical needs of 7,000 homes.

An investment through the SRC includes an additional \$250,000 to support the Office of Energy Conservation, bringing the total to \$740,000 this year. This funding will be used to train and support professionals in the construction industry about the most advanced technologies in building energy conservation. It will also be used to support municipalities in moving forward on energy conservation initiatives, as well as assisting them in accessing resources from the federal green fund.

- **The North** – Saskatchewan's northern reaches and communities are rich in environmental assets and resources, rich in Aboriginal heritage.

The 2003-04 Budget includes \$27.1 million in new initiatives and capital for the North, including:

- \$600,000 for Phase 1 of the Gunnar Uranium Mine Clean-up Project;
- \$797,000 (15.4 per cent) increase in Northern Revenue Sharing (increasing total grant funding from \$5.2 million to almost \$6 million);
- Funding is also provided for the new St. Joseph's hospital and a new school in Ile-à-la-Crosse;
- \$500,000 to northern health authorities for implementation of a northern health strategy, primary health care and prevention initiatives and improved water quality monitoring in public water supplies;
- \$2.1 million for 600 training spaces provided under the Northern Skills Training Program;
- \$466,000 increase for 40 additional training spaces provided under the Northern Health Access Program (increasing total funding from \$856,000 to \$1.3 million);
- \$112,000 increase in the operating grant provided to Northlands Regional College (increasing total funding from \$3.5 million to \$3.6 million);
- \$300,000 in new funding to Northern Affairs for additional contributions under the Northern Development Agreement to ensure that the provincial commitment of providing \$10.0 million in funding for northern economic projects over five years will be met;
- \$129,000 increase in funding for the Northern Development Fund grant program (increasing total funding from \$1.0 million to \$1.1 million);
- approximately \$10 million in northern highway and bridge capital improvements;
- \$1.9 million in Centenary Fund projects for 2003-04; and
- \$4.9 million for the Northern Water and Sewer Program for 24 projects in 18 communities.

- **Aboriginal Initiatives** – In addition to working to implement its Post-Secondary Aboriginal Education and Training Action Plan, Learning provides operating funding to Aboriginal post-secondary institutions and funds several programs with significant participation by Aboriginal and Métis people. These programs include Adult Basic Education and Literacy, JobStart/Future Skills, Multi-Party Mining and Forestry training plans and Aboriginal Apprenticeship. For example, approximately \$7.0 million of Learning's funding for the Adult Basic Education program is utilized to provide training for Aboriginal people to assist them in making the transition to further training or employment. Learning also provides financial support to Aboriginal and Métis people while they attend post-secondary education and training programs.

Core programming from Labour provides training to approximately 160 teachers to deliver work skills education to approximately 4,000 students, primarily Aboriginal youth. This training will raise students' awareness of the importance of health and safety on the job, and employment rights and responsibilities.

Core programming for Community Resources and Employment includes work with First Nations child and family services agencies to expand foster care training curriculum to meet the needs of extended family and other care givers, establish standards for First Nation group homes and treatment facilities and increase access by First Nations child and family services agencies to child welfare training.

Core programming under Saskatchewan Justice provides for numerous initiatives, including working in partnership with Aboriginal organizations through the Commission on First Nations and Métis Peoples and Justice Reform to

improve responsiveness of the Justice system to the needs of Aboriginal people.

- **Seniors** – Seniors are the people who built this province, the people who provide guidance and leadership for Saskatchewan's youth.

Through direct income support and refundable tax credits, a single senior will be guaranteed a minimum income of \$13,400 in 2003-04. Senior couples will be guaranteed a combined income of \$21,600.

Seniors will benefit from the higher personal income tax credits introduced through the Province's personal tax reform initiative. On January 1, 2003, the Senior Supplement tax credit increased from \$750 to \$1,000.

Indexation of the Personal Income Tax system is particularly beneficial for seniors on a fixed income because the amount of tax payable on a fixed amount of income will decline every year.

In 2003-04, Health will provide \$5.3 million in subsidies to seniors through the Senior Citizens' Ambulance Assistance Program.

Building for the Future

The initiatives and programs outlined in Budget 2003-04 will help us to build for the future, to build a strong and thriving province.

The Government has a proven track record of funding and maintaining key priorities while at the same time managing the Province's finances and being mindful that they are accountable to the people. The Province will continue on this track of strategically investing in Saskatchewan's future.

As further proof of the Province's commitment to accountability, the Government will provide a Summary Financial plan as part of the 2004-05 Budget package. As well, the Province has produced a Budget document entitled *Our Plan for 2003-04* which sets out concrete objectives for Government for the year ahead; departments will track and report back to Saskatchewan people on progress made. Both of these enhancements are in keeping with the Government's record of continued improvements to accountability.

Saskatchewan's future is bright. The Province is encouraging investment and growth. The Province is providing record levels of funding for health care and education. The Government is managing the public purse in a responsible manner.

The Saskatchewan Government remains committed to not only meeting the challenges of today, but also to making the decisions which will help achieve even more growth and opportunity – to help build for the future.

2003-04 Technical Papers

BUILDING FOR THE FUTURE

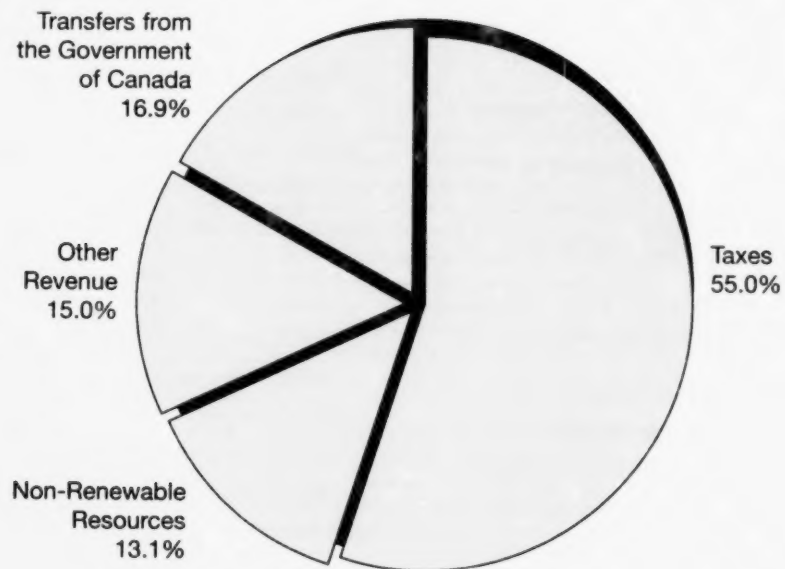


General Revenue Fund 2003-04

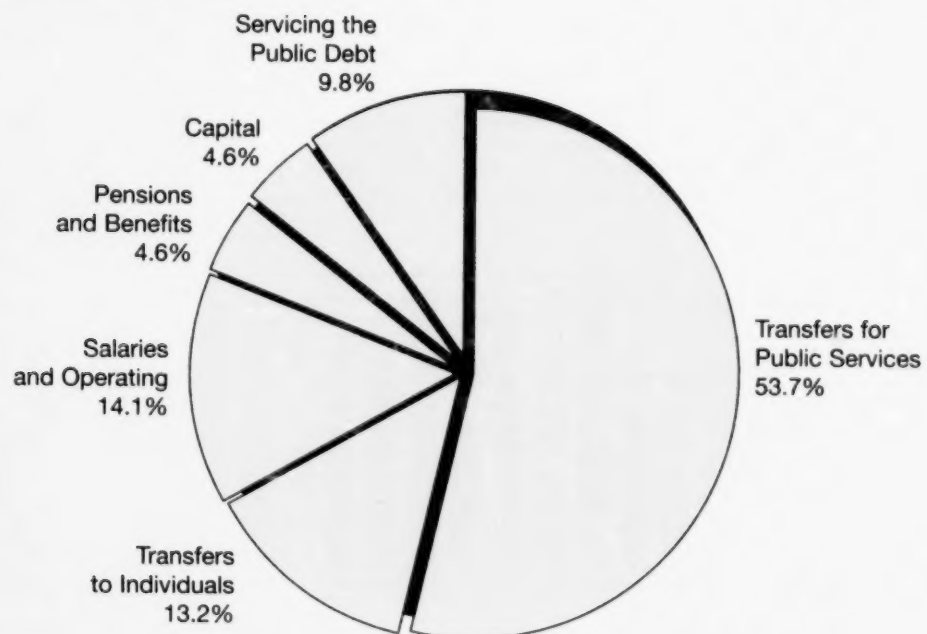
General Revenue Fund, Sources of Revenue

	Millions of Dollars	Per Cent of Total
Taxes		
Individual Income	\$ 1,275.1	20.5%
Sales	851.7	13.7
Corporations	704.2	11.3
Fuel	350.4	5.6
Tobacco	167.1	2.7
Other	73.6	1.2
	\$ 3,422.1	55.0%
Non-Renewable Resources		
Oil	\$ 490.1	7.9%
Potash	165.9	2.6
Natural Gas	119.1	1.9
Other Minerals	41.7	0.7
	\$ 816.8	13.1%
Other Revenue		
Dividends	\$ 600.2	9.6%
Motor Vehicles	122.2	2.0
Charges for Services	77.5	1.2
Licences and Permits	42.2	0.7
Other	92.3	1.5
	\$ 934.4	15.0%
Total Own-Source Revenue	\$ 5,173.3	83.1%
Transfers from the Government of Canada		
Canada Health and Social Transfer	\$ 687.8	11.0%
Equalization	172.3	2.8
Other Transfers	194.6	3.1
	\$ 1,054.7	16.9%
Total Revenue	\$ 6,228.0	100.0%

GRF: Sources of Revenue



GRF: Distribution of Spending



General Revenue Fund 2003-04

General Revenue Fund, Distribution of Spending

	Millions of Dollars	Per Cent of Total
Transfers for Public Services		
Regional Health Services	\$ 1,654.3	25.0%
Provincial Medical Services and Education Programs	576.4	8.7
K-12 Education	515.4	7.8
Post-Secondary Education	332.1	5.0
Municipalities	87.6	1.3
RCMP Services	86.5	1.3
Employment and Training Programs	53.8	0.8
Business and Research Investment	51.6	0.8
Agricultural Support	42.8	0.7
Child and Family Programs	40.5	0.6
Gaming Funds	39.3	0.6
Other	71.5	1.1
	\$ 3,551.8	53.7%
Transfers to Individuals		
Income Assistance and Employment Support	\$ 296.5	4.5%
Agricultural Support	171.0	2.6
Prescription Drug Plan	154.9	2.3
Post-Secondary Student Support	63.7	0.9
Child and Family Services	52.1	0.8
Community Living Support	52.0	0.8
Housing	23.5	0.4
Treaty Land Entitlements	22.3	0.3
Extended Health Benefits	19.1	0.3
Other	18.0	0.3
	\$ 873.1	13.2%
Salaries and Operating		
Corrections and the Justice System	\$ 195.3	2.9%
Highway Maintenance and Operations	164.0	2.5
Community Resources and Employment	136.2	2.0
Health and Education Administration	122.9	1.9
Environment	111.8	1.7
Internal Government Departments	89.7	1.3
Agriculture and Economic Development	71.0	1.1
Other	45.1	0.7
	\$ 936.0	14.1%
Pensions and Benefits		
Public Service	\$ 197.9	3.0%
Teachers	106.8	1.6
	\$ 304.7	4.6%
Capital		
Construction of Transportation Systems	\$ 131.0	2.0%
Health Equipment and Facilities	46.1	0.7
Post-Secondary and Schools	41.9	0.6
Municipalities	30.4	0.5
Centenary Fund	29.0	0.4
Asset Renewal	15.0	0.2
Other	11.6	0.2
	\$ 305.0	4.6%
Servicing the Public Debt	\$ 650.0	9.8%
Total Expenditure	\$ 6,620.6	100.0%

Saskatchewan's Economic Outlook

Introduction

Gross Domestic Product (GDP) measures the production or output of an economy. Nominal GDP is based on market prices that include inflation. It measures the value of production of an economy. Real GDP removes that inflationary component to measure the volume of production of an economy.

In 2002, Saskatchewan's economy contracted in real terms. That is, there was less produced in 2002 than in 2001, largely because there was a significant decline in agricultural output as a result of a second consecutive drought. At the same time, Saskatchewan's economy expanded in nominal terms in 2002, predominantly reflecting strong world prices for Saskatchewan's principal commodities.

The 2003-04 Budget economic outlook assumes provincial crop production will return to normal levels in 2003 and remain there throughout the medium term. It also assumes moderate resource

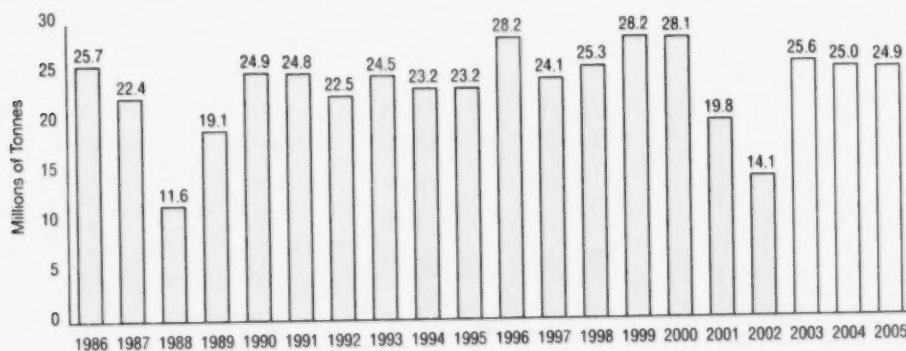
production increases, continued expansion of the US and Canadian economies and a favourable monetary environment.

Conditions are conducive to produce a relatively large increase in provincial output, predominantly crop production, in 2003, before economic growth levels off in the latter part of the medium term.

Crop Assumptions

Crop production in 2002 fell to 14.1 million tonnes, 28.7 per cent below the 2001 harvest and approximately 57.0 per cent of the 10-year average. The harvest is assumed to return to normal in 2003 on the basis of the fair to average soil moisture conditions in most of the province and a reasonable expectation of increased spring seeding fuelled by strong prices. Total crop production tonnage is projected at about 25 million tonnes, 81.9 per cent more than in 2002. The harvest is expected to be about average, at or near 25 million tonnes, in 2004 and 2005.

Crop Production



Crop prices increased throughout the summer and fall of 2002 as a result of poor growing conditions around the world. Crop prices are expected to slip slightly in 2003 as yields return to average levels in Canada and abroad but generally stay above 2001 levels.

Resource Prices and Production

The price for a barrel of West Texas Intermediate (WTI) oil increased steadily throughout 2002 mainly due to world oil prices rising as a result of the Venezuelan strike and the threat of war in Iraq. The price for a barrel of WTI oil averaged US\$26.08 in 2002.

World oil prices continued to rise in the past few months due to heightened war concerns but are expected to decline as soon as the uncertainties surrounding Iraq diminish later in the year. Consequently, while remaining lofty, the average price for a barrel of WTI oil is projected to be slightly lower at US\$25.00 per barrel in 2003 and US\$24.00 per barrel in 2004 and 2005.

Oil production and drilling in the province declined in 2002 but are expected to rebound in 2003. Driven by resilient prices, as well as the oil and gas incentive package announced in the fall of 2002, oil drilling is projected to climb to about 2,000 wells in 2003 and stay at that level throughout the forecast period. Oil production is projected to increase steadily throughout the period.

Natural gas prices averaged C\$3.78 per GJ in 2002 and are projected to increase to C\$4.29 per GJ in 2003 and decrease to C\$3.75 in 2004.

Drilling for natural gas reached a record 1,872 wells in 2002. Consequently, the volume of natural gas sales is expected to increase in 2003.

Potash prices averaged C\$209.40 per tonne in 2002. Potash prices are projected to average about C\$200.00 per tonne over the forecast period.

Production and sales are projected to increase steadily throughout the medium term.

Commodity Price Outlook

	2002	2003	2004	2005
Wheat (C\$/tonne)*	170.00	169.84	168.52	172.95
Barley (C\$/tonne)*	152.00	147.29	141.01	142.80
Canola (C\$/tonne)*	375.00	367.79	371.68	395.69
WTI Oil (US\$/bbl.)	26.08	25.00	24.00	24.00
Natural Gas (C\$/GJ)	3.78	4.29	3.75	3.81
Potash (C\$/tonne)	209.40	201.10	196.00	198.30

* Crop year basis

US and Canadian Macroeconomic Assumptions

US real GDP increased 2.4 per cent in 2002 compared to 0.3 per cent in 2001. The rebound in US growth in 2002 was not smooth as real GDP grew 5.0 per cent in the first quarter, 1.3 per cent in the second quarter, 4.0 per cent in the third quarter and 1.4 per cent in the fourth quarter.

US growth is projected to improve to 2.6 per cent in 2003, 4.1 per cent in 2004 and 3.8 per cent in 2005. However, geopolitical tensions, rising oil prices and other uncertainties pose significant risks to US growth projections.

Canada's growth rate decelerated over the four quarters of 2002 but the economy grew 3.4 per cent for the year. Canada's real GDP increased 6.0 per cent in the first quarter, 4.4 per cent in the second quarter, 3.6 per cent in the third quarter and 1.6 per cent in the fourth quarter.

Canadian growth is projected to remain at 3.4 per cent in 2003, 3.7 per cent in 2004 and 3.1 per cent in 2005.

Canadian Interest Rates and the Canadian Dollar

Short-term interest rates averaged 2.6 per cent in 2002, well below expectations, while long-term interest rates averaged 7.0 per cent. Interest rates are anticipated to rise slightly over the forecast period.

The Canadian dollar averaged 63.7 US cents in 2002, depreciating by about one per cent despite stronger Canadian growth and widening Canadian/US interest rate spreads. However, the Canadian dollar has recently been on an upward trend as the relative attractiveness of the US dollar and US dollar-denominated assets has decreased in the face of growing Canadian/US interest rate spreads. The Canadian dollar is expected to continue to strengthen over the forecast period.

US and Canadian Economic Outlook

	2002	2003	2004	2005
US Growth (%)	2.4	2.6	4.1	3.8
Canadian Growth (%)	3.4	3.4	3.7	3.1
Canadian Consumer Price Index (%)	2.2	2.1	1.7	1.9
Canadian Short-term Interest Rates (%)	2.6	3.6	4.9	5.0
Canadian Long-term Interest Rates (%)	7.0	7.3	7.3	7.3
Canadian Dollar (US cents)	63.7	67.4	70.4	71.0

The Economic Outlook for Saskatchewan

At a Glance

	2002	2003	2004	2005
Real GDP (% Change)	-1.4	6.8	3.5	2.4
Nominal GDP (% Change)	2.5	5.2	2.3	3.3
Employment Growth (000s)	9.7	4.2	6.1	6.0
Unemployment Rate (%)	5.7	5.3	5.0	4.8
Consumer Price Index (% Increase)	2.8	2.1	2.2	2.0

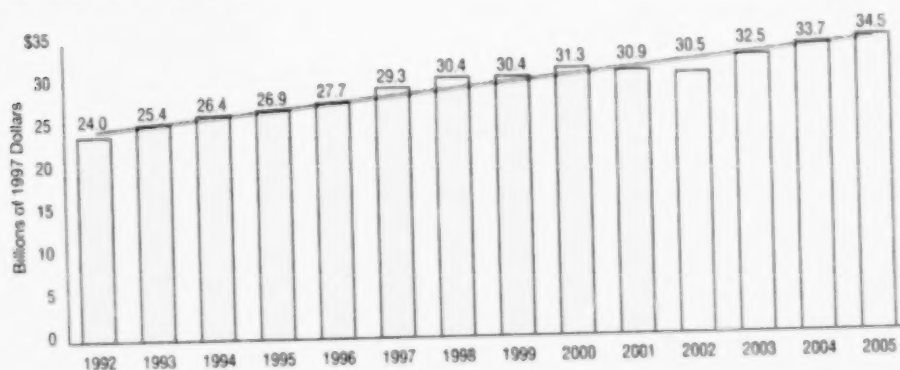
On the basis of an 81.9 per cent increase in the crop harvest and anticipated strength in mining, the provincial economy is projected to recover with a 6.8 per cent jump in real GDP in 2003.

After two consecutive years of substantial decreases, grain stocks are projected to increase significantly in 2003. Farm inventories of crops and livestock, adjusted for inflation, are projected to increase by \$917 million in 2003 following reductions of \$1.2 billion in 2001 and \$719 million in 2002.

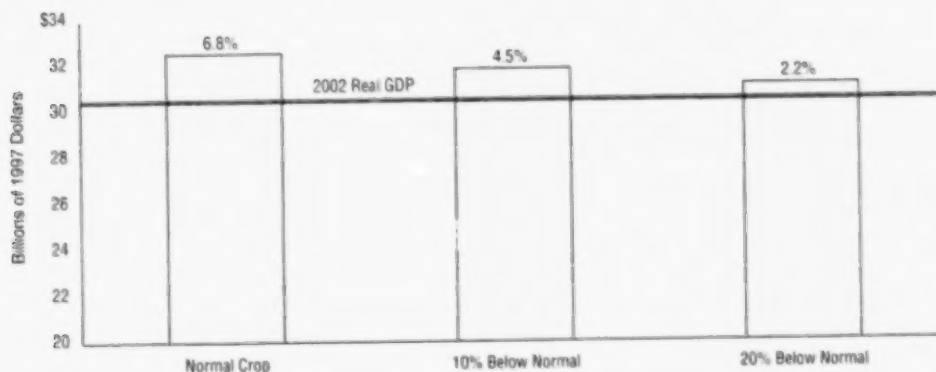
A strong mining sector, particularly oil and natural gas, will also bolster the economic growth of the province in 2003.

Saskatchewan's real economic growth is projected to be 3.5 per cent in 2004 and 2.4 per cent in 2005 based on normal crops. Exports, particularly grains, will be a source of strength in 2004 as farmers have more crops to sell. Stronger US and Canadian growth will assist in sustaining the province's growth in the remainder of the forecast period.

Saskatchewan Real GDP



Impact of Crop Production on Saskatchewan Real GDP in 2003

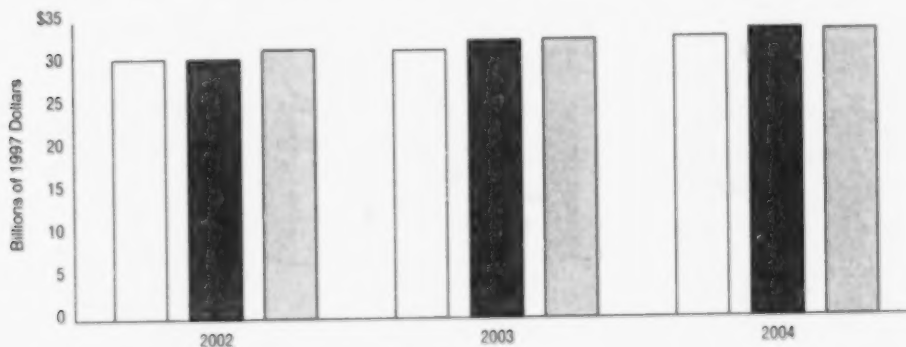


If the crop does not return to normal levels in 2003, each 10 per cent reduction would reduce real GDP growth by 2.3 percentage points in 2003 and 0.2 percentage points in 2004. The Conference Board of Canada (CBoC), for example, assumes that poor growing conditions will prevail in 2003 and does not expect agriculture to rebound until 2004. Following an estimated 1.1 per cent contraction, the CBoC is projecting Saskatchewan's real GDP to increase 2.7 per cent in 2003 and 4.5 per cent in 2004.

Other private sector forecasts call for growth ranging from 0.8 per cent to 2.4 per cent in 2002, 2.6 per cent to 3.7 per cent in 2003 and 2.4 per cent to 3.8 per cent in 2004. On average, forecasts from the private sector for 2002 remain in positive territory, at or near 1.3 per cent. Currently, these independent forecasts see growth of 3.0 per cent for 2003 and 3.3 per cent for 2004.

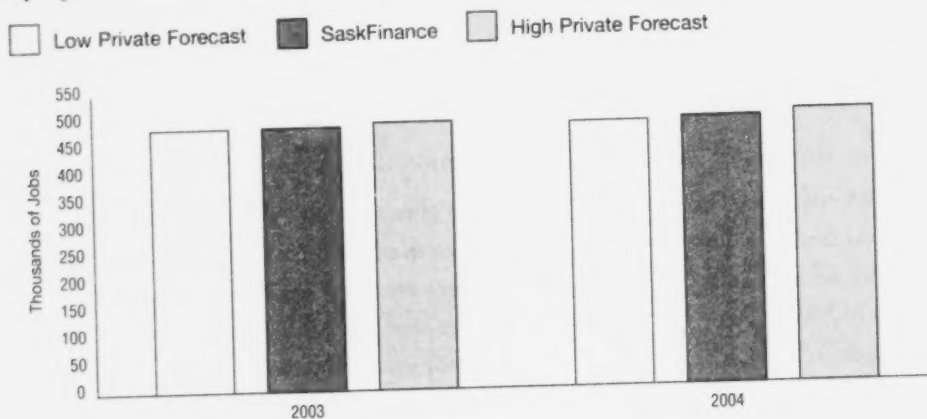
Economic Growth Forecast Comparison

Low Private Forecast
 SaskFinance
 High Private Forecast



Employment is forecast to increase by 4,200 in 2003, 6,100 in 2004 and 6,000 in 2005. On average, the private sector is forecasting employment to grow by 7,200 in 2003 and about 5,900 in 2004.

Employment Forecast Comparison



Risks and Opportunities

The 2003-04 Budget economic forecast was formed on the basis of expectations about crop production, commodity prices, US and Canadian growth and financial market trends amid escalating geopolitical tensions and uncertainties. The economic growth of the province may be higher or lower than currently forecast depending on how these factors or events unfold.

The uncertainty of war and terror poses an immediate risk to US and Canadian growth projections. The US market and the rest of Canada represent over three-quarters of Saskatchewan's export market. A slower US and Canadian growth profile would weigh on Saskatchewan's performance.

Higher-than-expected oil prices spawned by war would benefit the oil patch directly but could choke growth elsewhere. Rising inflation produced by rising oil prices could spark faster and higher interest rate increases that could dampen growth.

As in 2001 and 2002, a significant crop failure in any of the forecast years would cause the province to under-perform. Conversely, a larger-than-expected crop would cause the provincial economy to outperform the forecast.

Saskatchewan's Financial Outlook

In 2003-04, the General Revenue Fund (GRF) will be balanced for the 10th consecutive year.

Revenue

Total GRF revenue is projected to be \$6.40 billion in 2002-03, decline to \$6.23 billion in 2003-04 and grow to \$6.52 billion in 2004-05.

The \$177 million, or 2.8 per cent, decline in GRF revenue from the 2002-03 forecast to the 2003-04 Budget estimate primarily reflects:

- a \$333 million reduction in non-renewable resource revenue, predominantly oil revenue, concomitant with a return to lower oil prices; and,
- a \$100 million reduction in the Crown Investments Corporation of Saskatchewan dividend, declining from \$300 million in 2002-03 to \$200 million in 2003-04; partially offset by,
- a \$256 million increase in federal transfers.

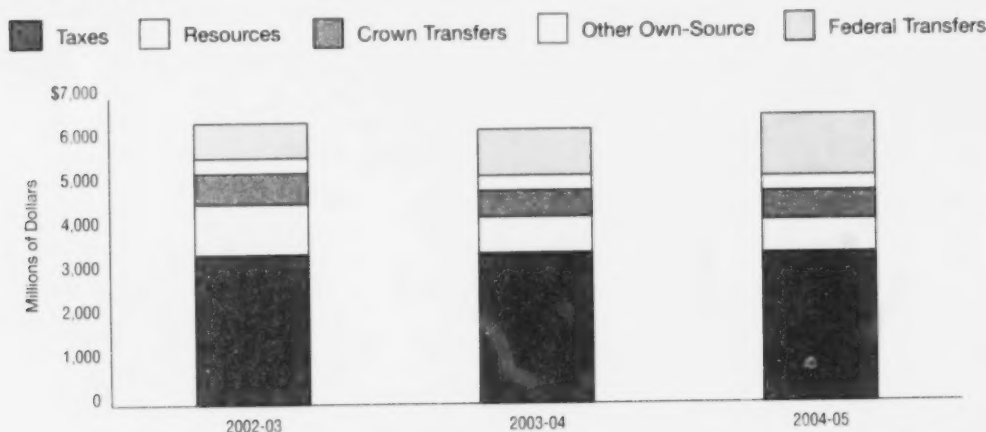
The \$292 million, or 4.7 per cent, increase in GRF revenue from the 2003-04 Budget estimate to the 2004-05 forecast reflects a \$339 million increase in federal transfers and a \$47 million decrease in own-source revenue. The increased federal transfers are composed of:

- a \$217 million increase in equalization payments; and,
- a \$106 million increase in the Canada Health and Social Transfer, reflecting the new federal health accord funding including \$64 million as Saskatchewan's share of the additional \$2 billion potential increase in federal funding.

Operating Expenditure

GRF operating expenditure is projected to be \$5.78 billion in 2002-03, rise to \$5.97 billion in 2003-04 and remain near that level in 2004-05.

GRF Revenue



The 2003-04 Budget estimate of operating spending represents a \$186 million, or 3.2 per cent, increase relative to the 2002-03 forecast and a \$284 million, or 5.0 per cent, increase on a budget-over-budget basis.

Almost two-thirds, or \$184 million, of the budget-over-budget increase is for Health. Almost one-third, or \$92 million, is for Learning, including \$36 million which reflects a return to expensing capital in the current year.

Sixteen of the remaining votes are up on a budget-over-budget basis, whereas seven are down and two remain at the 2002-03 Budget level.

The \$5.97 billion in 2003-04 planned operating spending will be allocated as follows:

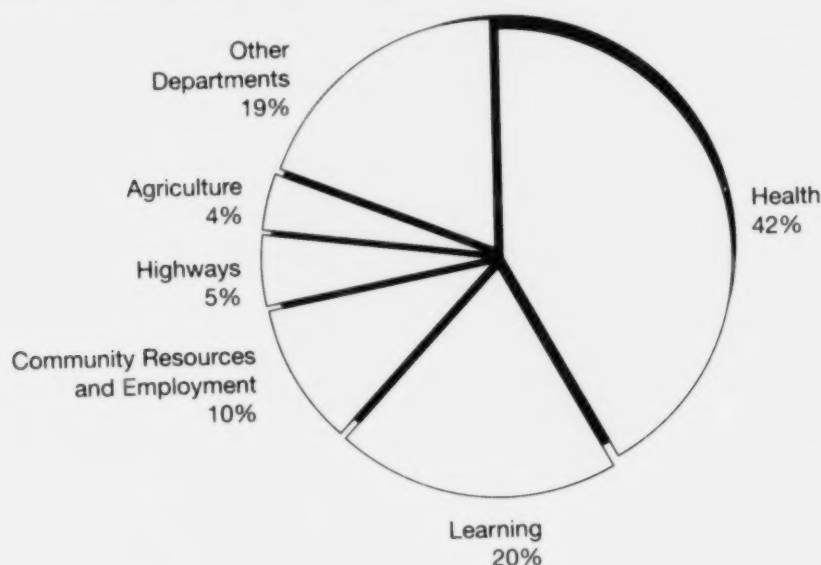
- 42 per cent to Health;
- 20 per cent to Learning;

- 10 per cent to Community Resources and Employment;
- 5 per cent to Highways and Transportation;
- 4 per cent to Agriculture; and,
- 19 per cent to the remaining departments and agencies.

Interest Costs

Interest costs, which peaked at \$882 million in 1994-95, are expected to be \$618 million in 2002-03 – an increase of \$1 million from 2001-02 and a reduction of \$15 million from the original 2002-03 Budget estimate. The reduction primarily reflects a boost in the value of the Canadian dollar late in the fiscal year and favourable short-term interest rates on in-year borrowing. An increase in debt together with higher short-term interest rates will result in interest costs in 2003-04 rising to \$650 million.

Composition of GRF Operating Expenditure, 2003-04



Total Expenditure

Total expenditure is composed of operating expenditure and interest costs.

Total GRF expenditure is projected to be \$6.40 billion in 2002-03, increase to \$6.62 billion in 2003-04 and remain near that level in 2004-05.

Fiscal Stabilization Fund Transfer

The Fiscal Stabilization Fund (FSF) was created in 2000-01 to stabilize the fiscal position of the province from year to year and to facilitate the accomplishment of long-term objectives. In 2000-01, \$775 million was transferred from the GRF to the Fund. In 2001-02, \$280 million was transferred from the Fund to the GRF to deliver a balanced budget.

Deterioration in revenue projections and drought-related spending increases throughout 2002-03 were projected to be offset by increased transfers

from the Fund. Revenue for 2002-03 is currently expected to be \$310 million above the Budget estimate, obviating the need for a transfer from the Fund in 2002-03. It is expected \$393 million will be required to deliver a balanced budget in 2003-04 and the remaining \$102 million will be required to deliver a balanced budget in 2004-05.

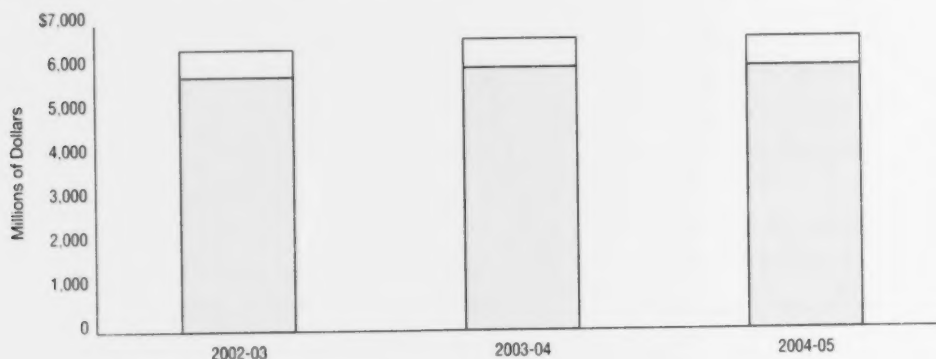
While these projected transfers will deplete the Fund by 2004-05, it is anticipated that future windfall revenue (as was used to establish the Fund) would be used to replenish the Fund as circumstances allow.

Budget Balances

Following a surplus of \$2.1 million in 2002-03, the budget is expected to be balanced through 2004-05.

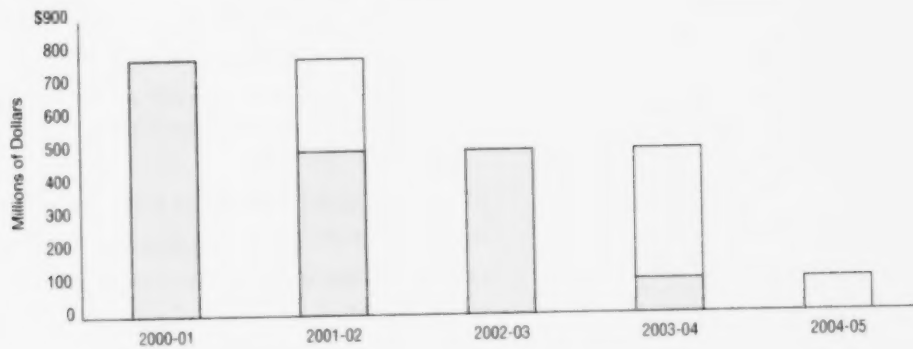
GRF Total Expenditure

□ Operating Expenditure □ Interest Costs



Fiscal Stabilization Fund Balances

☐ FSF Balances ☐ FSF Transfers to GRF



GRF Financial Outlook

<i>(Millions of Dollars)</i>	2002-03	2003-04	2004-05
Revenue	\$ 6,404.5	\$ 6,228.0	\$ 6,520.3
Operating Spending	5,784.4	5,970.6	5,972.5
Operating Surplus	620.1	257.4	547.8
Interest	618.0	650.0	650.0
Transfers from FSF	0.0	392.7	102.3
Budget Balance	\$ 2.1	\$ 0.1	\$ 0.1

2003-04 Revenue Initiatives

Introduction

Since 2000-01, the Government has made significant progress in improving the fairness and competitiveness of the provincial tax system.

Personal Tax Reform

In 2000, the Government responded to the recommendations of an external committee of tax experts with a major reform of the personal tax system. This reform improved the fairness of personal taxes and simplified the personal income tax structure. With its full implementation this year, personal tax reform has reduced personal income taxes by over \$400 million.

Key elements in achieving these objectives were dramatic reductions in personal income tax rates and significant increases in personal tax credits that support the family.

Saskatchewan Tax Rates Lowered

<u>Income Tax Brackets</u>	<u>2003 Rates</u>
First \$35,000	11%
\$35,001 – \$100,000	13%
Over \$100,000	15%

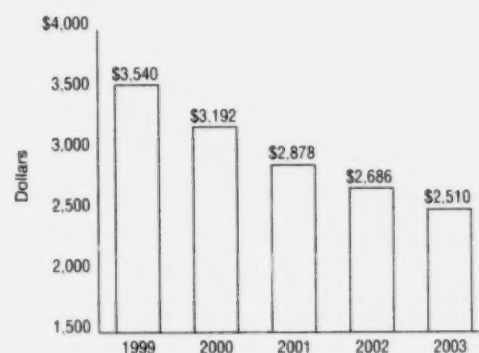
Family Tax Credits Increased

<u>Family Tax Credits</u>	<u>2003 Amounts</u>
Basic/Spousal	\$8,000
Dependent Child	\$2,500
Senior Supplement	\$1,000

The new personal income tax structure is fully implemented in 2003, providing Saskatchewan taxpayers with an additional personal income tax

reduction of an estimated \$78.0 million this year. Tax reform has reduced the income taxes of an average family by over \$1,000 since 1999.

Reducing Saskatchewan Income Taxes Two-Income Family of Four Earning \$50,000



In addition to improving tax fairness, the significant reduction in Saskatchewan personal income taxes also enhanced the Province's ability to retain and attract employees, professionals and business owners to Saskatchewan. Saskatchewan's top marginal tax rate is third lowest in Canada and is second lowest for certain investment income.

Indexing the Income Tax System

Commencing in 2004, Saskatchewan's family tax credits and income tax brackets will increase based on the national rate of inflation. This initiative will protect provincial taxpayers from "bracket creep", where automatic increases in income taxation are caused by inflation-based adjustments in personal income. This is particularly important for seniors living on fixed incomes.

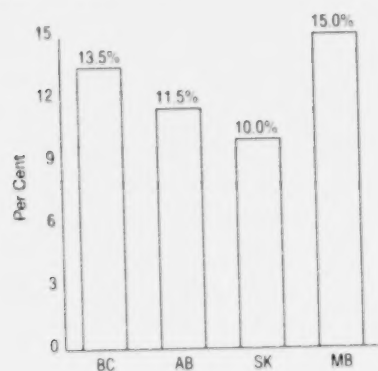
Saskatchewan's Business Tax Environment

To address its economic development priorities, the Government has relied on a strategy of providing targeted tax reductions and incentives for key sectors of the economy. Saskatchewan's tax regime does not levy either a payroll tax or health premium.

The targeted business tax measures include incentives for small businesses, the manufacturing and processing (M&P) sector, the film sector, research and development, and primary agricultural production.

Response from the business community to these initiatives, particularly the M&P-related measures, has been very favourable. Initiatives for the M&P sector include a Corporation Income Tax (CIT) rate reduction, an Investment Tax Credit (ITC) and certain sales tax exemptions. The M&P Profits Tax Reduction lowers the general CIT rate by as much as seven percentage points and the ITC offsets the Provincial Sales Tax payable on the acquisition of production assets in the M&P sector.

CIT Rates for M&P Income Proposed 2005 Rates



In 2002, the Government announced a package of measures to improve business tax competitiveness. Of particular note were the royalty and tax incentives introduced in the resource sector that are having a very positive impact on the provincial oil, gas and mining sectors. The Government continues to review the competitiveness of the resource sector in order to achieve increased investment while ensuring a fair financial return for the Province.

This Budget extends to December 31, 2004, the temporary 10 per cent Saskatchewan Mineral Exploration Tax Credit provided to investors of flow-through shares of eligible mineral exploration companies. Eligibility rules pertaining to the tax credit will continue to parallel the similar federal tax credit.

Corporation Capital Tax

Last year's Budget contained a targeted \$5 million increase to the Corporation Capital Tax (CCT) exemption for Saskatchewan-based businesses. This measure acknowledges the significant capital investment Saskatchewan-based companies make in the province.

Effective for taxation years commencing on or after January 1, 2004, this incremental CCT exemption is being expanded to \$7.5 million. This amount will be further expanded to \$10 million for taxation years commencing on or after January 1, 2005.

In order to target this increase to Saskatchewan-based businesses, the incremental exemption amount is based on the proportion of total wages and salaries that are paid in Saskatchewan by a taxable corporation and its associated companies.

This initiative will raise Saskatchewan's overall CCT exemption to as high as \$20 million, the highest provincial capital tax exemption in Canada, and remove about 100 corporations from the tax roll. The exemption also reduces the amount of taxable Canadian paid-up capital that is subject to tax for all corporations, thereby reducing the effective rate of tax on capital investment in the province.

For further information, please contact Saskatchewan Finance at 306-787-7773.

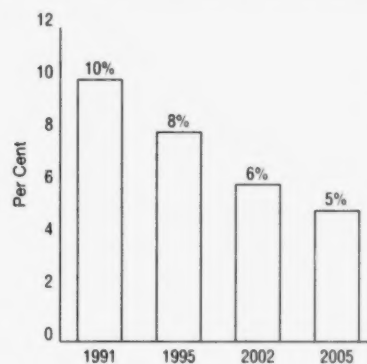
Corporation Income Tax

In 2001, the Government announced a reduction in the small business CIT rate from 8.0 per cent to 6.0 per cent. This measure followed an earlier reduction that brought the tax rate down from 10 per cent. In addition, the Government increased the amount of income to which the small business tax rate applies, from \$200,000 to \$300,000. It also extended the right to incorporate business practices to all regulated professions.

Saskatchewan's small business CIT rate is being further reduced from the current 6.0 per cent to 5.5 per cent effective January 1, 2004 and to 5.0 per cent effective January 1, 2005. The tax rate reductions will be prorated for taxation years that straddle these effective dates.

This initiative builds on the Government's previous measures to improve tax competitiveness and encourage Saskatchewan-based small businesses. Since 1991, the small business tax rate has been cut in half.

Saskatchewan's Small Business CIT Rate



For further information, please contact Saskatchewan Finance at 306-787-6722

Income Tax Revenue

Description

Saskatchewan's Individual and Corporation Income Taxes are administered by the Canada Customs and Revenue Agency under the *Canada-Saskatchewan Tax Collection Agreement*.

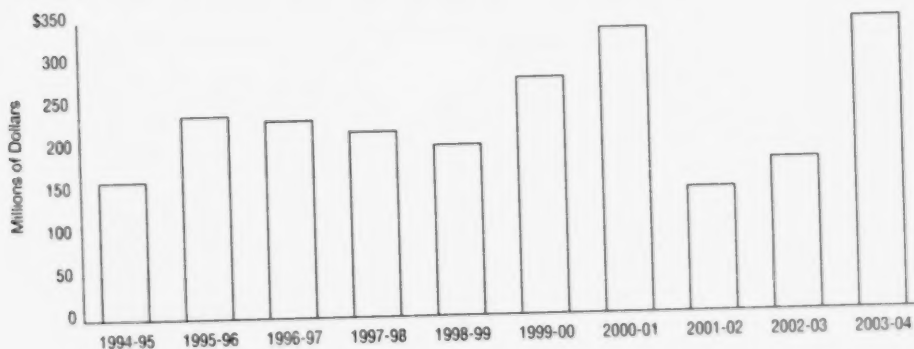
Since the assessment of income taxes is not finalized until after the end of a taxation year, the federal government estimates the total Saskatchewan income taxes for a tax year and remits this amount to the Province in monthly instalment payments throughout the taxation year. These payments are subsequently reconciled to actual entitlements once the assessment of tax returns for that tax year is complete. As a result, forecasting income tax revenues for a particular fiscal year involves two factors. First, an estimate of payments for the two calendar years that straddle the fiscal year, and second, an estimate of the reconciling adjustment for the previous taxation year.

Corporation Income Tax

Corporation Income Tax (CIT) revenues have been extremely volatile throughout Canada. This is largely due to the fluctuating economic conditions facing corporations and the ability of corporations to apply deductions and prior year losses in other taxation years under the national CIT system. The chart at the bottom of this page illustrates the volatility in Saskatchewan's CIT revenues over the past 10 years.

The 2002-03 Budget Estimate was significantly influenced by assessment results for the 2000 taxation year. That information indicated a sharp decline in Saskatchewan's CIT base. However, 2001 assessment results demonstrate a substantial rebound in that base. This newer information impacts not only the reconciliation adjustment for the 2001 taxation year (for the purposes of the 2002-03 revised forecast), but also the anticipated 2002 reconciliation adjustment and the 2003 payments for the purposes of the 2003-04 Budget Estimate.

Saskatchewan Corporation Income Tax Revenues



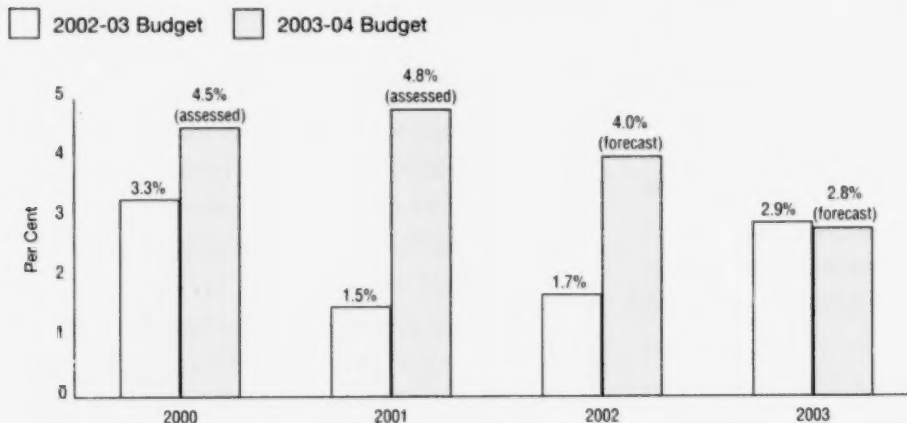
Individual Income Tax

The 2002-03 Budget Estimate had relied on prudent assumptions for tax base growth through the initial years of personal income tax reform. For example, wages and salaries growth rates for 2001, 2002 and 2003 had been assumed at 1.5 per cent, 1.7 per cent and 2.9 per cent, respectively.

Actual assessment results for the 2001 taxation year have demonstrated that taxable income growth in 2001 was 4.8 per cent. The provincial economic forecast has also adjusted the wage growth rates for 2002 and 2003 to 4.0 per cent and 2.8 per cent, respectively. The revised forecast of taxable income growth in Saskatchewan throughout the 2000 to 2002 period is the primary cause of the increase to the 2002-03 Individual Income Tax revenue forecast.

The decline in the revenue forecast for 2003-04 from 2002-03 results from three factors. First, the 2002-03 forecast includes a substantial reconciliation adjustment in respect of 2001 tax year assessments. Second, growth in taxable income in 2003 is expected to be more modest than in recent years. Third, the Government's personal tax reform plan provides a significant income tax reduction in 2003, with increased Personal Income Tax credits, reduced income tax rates and significantly expanded income tax brackets. These changes provide \$78 million in additional tax savings for Saskatchewan taxpayers in 2003.

Forecasts of Saskatchewan Taxable Income Growth



Saskatchewan's Tax Expenditures

Introduction

Although the primary purpose of taxation is to raise revenue, governments also attain some of their social and economic goals by reducing the taxes paid by certain taxpayers. These reductions are commonly called "tax expenditures" and include such measures as exemptions, deductions, tax credits, preferential tax rates, deferrals or omissions. Each provides special or preferential treatment to certain taxpayers or to certain types of activity. Taken together, they provide assistance to a variety of individuals and businesses, including families, farmers, senior citizens and small businesses.

While tax expenditures are usually absorbed in the overall revenue estimates and are not presented in the same way as direct spending programs, they reduce the amount of revenue generated by a government and they affect a government's fiscal position in the same way as direct expenditures.

The Rationale for Tax Expenditures

Tax expenditures can achieve a number of objectives, such as enhancing the fairness of the tax system or promoting certain types of economic activity. In pursuing these objectives, some tax expenditures have become fundamental elements of the tax system.

In 2001, Saskatchewan's Personal Income Tax shifted from a complex system of taxes, surtaxes and a low income reduction to a simplified tax structure applied directly to taxable income as

defined for federal income tax purposes.

Deductions that contribute to the federal determination of taxable income, such as the deduction for Registered Retirement Savings Plan contributions, continue to affect Saskatchewan income tax revenue. The impacts of several of these deductions are estimated in this paper.

The Government of Saskatchewan improved the fairness of its Personal Income Tax system by introducing a progressive three-rate tax structure on taxable income along with increases in provincial non-refundable tax credits. Provincial tax credits generally parallel federal credits, except that Saskatchewan has increased its basic and spousal amounts to \$8,000. In addition, the new provincial tax system introduced a supplement to the age amount, which has increased to \$1,000 for the 2003 tax year, and a dependent child amount, which has increased to \$2,500 per child for 2003. This paper also provides estimates of the revenue impacts of several of the provincial non-refundable tax credits.

To improve the distribution of corporate taxes, Saskatchewan levies a lower income tax rate on small businesses and a capital tax on larger corporations. The small business Corporate Income Tax rate is significantly less than the general Corporate Income Tax rate of 17 per cent. The exemption from Saskatchewan's capital tax, which was increased in 2002, ensures that only the largest corporations in the province are subject to the tax. As a result, over 30,000 corporations filing income tax returns in Saskatchewan are not subject to the capital tax.

To promote economic activity and create jobs, the Corporate Income Tax rate on manufacturing and processing (M&P) profits is reduced by up to seven percentage points, depending upon the level of business activity in Saskatchewan. Saskatchewan also provides an Investment Tax Credit to assist M&P companies which invest in qualifying new or used M&P assets for use in Saskatchewan.

In recognition of the importance of agriculture to Saskatchewan, the Province's Fuel Tax provides tax-free treatment to farm-use diesel fuel, through a fuel-colouring program, and farm-use gasoline when purchased in bulk. In addition, Saskatchewan continues to provide an annual gasoline tax rebate to farmers for agricultural use of gasoline that is not purchased tax-free in bulk.

Saskatchewan's sales tax does not apply to certain basic items such as food, home heating fuel, residential electricity, children's clothing and reading materials, thereby reducing the taxes paid by families consuming these basic items. This treatment is in contrast to the federal Goods and Services Tax (GST) and the sales taxes of provinces that have harmonized their sales taxes with the GST, since those taxes apply to a much broader range of goods and services purchased by families.

Associated Costs

While tax expenditures serve important social and economic objectives, the introduction of any tax expenditure results in associated costs. These costs take several forms.

- First, there is the cost of forgone revenue. Tax expenditures result in the reduction of revenue collected and have a significant impact on a government's financial position.
- Second, tax expenditures may add to the complexity of the tax system, leading to increased administrative effort by both taxpayers and governments.
- Third, tax expenditures may create distortions in consumer and other economic behaviour. For example, the exemption for restaurant meals and snack foods provides preferential treatment for this category of consumer expenditure.
- Finally, tax expenditures may create increased compliance costs for both businesses and consumers.

Government of Canada Tax Expenditures

The federal government produces a detailed presentation on tax expenditures that are part of the federal tax system. The 2002 estimates of federal tax expenditures include projections to the year 2004 as well as historical data.

Since Saskatchewan's personal and corporate income taxes are based upon the federal definition of taxable income, many of the federal tax expenditures have an impact on Saskatchewan's revenue, not all of which are shown in this paper's estimates. Readers interested in examining the federal government's presentation of tax expenditures are invited to contact the Finance Canada Distribution Centre in Ottawa or visit the website www.fin.gc.ca/purl/taxexp-e.html.

2003 Saskatchewan Tax Expenditures

Beginning in 2001, Saskatchewan's Personal Income Tax became based directly upon taxable income. The 2003 taxation year represents the final phase of the three-year implementation period for this tax reform and this is reflected in the following tables. Commencing with the 2004 taxation year, the personal income tax system will be fully indexed to inflation.

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan in 2003. The estimates were calculated using tax collection data and Statistics Canada data.

2003 Government of Saskatchewan
Tax Expenditure Accounts
(Value of Tax Expenditures in Millions of Dollars)

Sales Tax

Exemptions	
1. Children's clothing and footwear	\$ 6.8
2. Prescription drugs	23.2
3. Electricity	31.6
4. Farm machinery and repair parts	41.2
5. Fertilizer, pesticide and seed	88.5
6. Food	
- Restaurant meals and snack foods	47.9
- Basic groceries	92.9
7. Natural gas	31.6
8. Reading materials	10.2
9. Services	
- Construction	182.4
- Other	26.1
10. Used goods - exemption amounts	5.0
11. Direct agents	8.9
12. Toll-free telephone services	0.2
13. Livestock and horticultural facilities	2.0
14. Municipal fire trucks	0.1
15. Mineral exploration equipment	0.1

Fuel Tax

1. Exemption and rebates for farm activity	\$ 106.9
2. Exemption for heating fuels	18.4
3. Exemption for primary producers	2.1

Personal Income Tax

Deductions from Income	
1. Registered Pension Plan contributions	\$ 35.2
2. Registered Retirement Savings Plan contributions	92.2
3. Annual union, professional or like dues	8.2
4. Child care expenses	6.3
5. Moving expenses	1.3
6. Carrying charges	7.3
7. Allowable employment expenses	9.0
8. \$500,000 capital gains deduction	23.4

Saskatchewan Non-refundable Tax Credits	\$ 469.5
1. \$8,000 basic personal tax credit	27.7
2. \$8,000 spousal tax credit	14.0
3. \$8,000 equivalent-to-spouse tax credit	26.6
4. Age tax credit	8.5
5. \$1,000 supplement to the age tax credit	44.0
6. \$2,500 dependent child tax credit	46.3
7. Canada Pension Plan contributions tax credit	18.5
8. Employment Insurance premiums tax credit	8.5
9. Pension income tax credit	11.1
10. Education tax credit	9.3
11. Tuition tax credit	1.4
12. Tax credit on student loan interest	5.6
13. Disability tax credit	0.6
14. Attendant care expenses deduction and caregiver tax credit	14.3
15. Medical expenses tax credit	26.1
16. Charitable contributions tax credit	

Other Saskatchewan Tax Measures	\$ 26.0
1. Saskatchewan Sales Tax Credit	1.0
2. Political Contribution Tax Credit	3.0
3. Post-Secondary Education Graduate Tax Credit	0.3
4. Mineral Exploration Tax Credit	
5. Saskatchewan Tax Incentives Program	4.5
- Labour-sponsored Venture Capital Tax Credit	

Corporation Income Tax

	\$ 106.4
1. Lower tax rate for small business	19.0
2. Royalty Tax Rebate	20.0
3. Manufacturing and Processing Profits Tax Reduction	11.3
4. Investment Tax Credit for Manufacturing and Processing	10.0
5. Research and Development Tax Credit	

Corporation Capital Tax

	\$ 28.1
1. General exemption of up to \$15,000,000	
2. Exemption for co-operatives, credit unions, family farm corporations and insurance companies	11.5

2003 Intercity Comparison of Taxes and Household Charges

A number of factors contribute to the quality of life enjoyed by individuals and families in Saskatchewan and across Canada. For example, access to excellent health care, education and social services is a key part of the overall quality of life.

Two other important factors that affect quality of life are:

- the level of taxation; and,
- household costs for rent and mortgages, utilities and auto insurance.

Calculating the combined cost of provincial taxes and typical household charges is a reliable way to compare the attractiveness of living in different parts of Canada.

For the purposes of such a comparison, the total cost of such taxes and household charges for representative families living in Saskatoon, Saskatchewan's largest city, has been compared with the costs those families would face in other major cities across the country.

The provincial taxes and household charges associated with the following family characteristics and income levels have been calculated to provide a representative comparison:

- a young single male adult, living in rental accommodation, with an annual income of \$25,000;
- a family of two adults and two dependent children, owning its own home, with an annual family income of \$50,000; and,

- a family of two adults and two dependent children, owning its own home, with an annual family income of \$75,000.

The income of the two families is assumed to be earned by both spouses, with one earning 60 per cent and the other earning 40 per cent of total family income. With the exception of the Goods and Services Tax on utilities, federal taxes are not included in this comparison.

The results of this survey show that Saskatoon compares favourably with other cities in Canada, having the **lowest overall** combined taxes and charges of the 10 cities surveyed for each of these representative families.

There are a number of reasons for Saskatoon's favourable standing in this comparison with other Canadian cities.

Saskatoon has the lowest combined charges for auto insurance, telephone, home heating and electricity in 2003. Also, housing costs in Saskatoon associated with mortgage payments and property taxes are among the lowest in Canada.

The combined effect of Saskatchewan's six per cent Provincial Sales Tax (PST) rate, the **lowest** in Canada of those provinces with a sales tax, and the PST's broad list of personal exemptions means that Saskatchewan families pay the lowest provincial sales tax in Canada. Alberta, which has no sales tax, levies health care premiums that exceed the sales tax paid in Saskatchewan by average families.

Saskatchewan's personal income tax reform continues to be implemented in 2003, with additional tax reductions occurring for all provincial taxpayers. Since 1999:

- A young single male adult earning \$25,000 will experience a \$201 provincial tax reduction to \$2,160, fourth lowest tax level in Canada;
- A two-income family earning \$50,000 will experience an \$840 provincial tax reduction to \$3,613, fifth lowest tax level in Canada; and,

- A two-income family earning \$75,000 will experience a \$1,412 provincial tax reduction to \$6,690, fourth lowest tax level in Canada.

All of these factors combine to make Saskatoon compare very favourably with other Canadian cities when considering the living costs facing individuals and families.

2003 Intercity Comparison of Taxes and Household Charges Single Male Adult at \$25,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
Provincial Income Tax	\$ 914	\$ 989	\$ 1,695	\$ 1,720	\$ 943	\$ 1,977	\$ 1,515	\$ 1,581	\$ 1,568	\$ 1,691
Tax Credits and Rebates	0	0	(77)	(425)	(144)	(574)	0	0	0	0
Health Premiums	648	528	0	0	569	774	864	864	641	910
Retail Sales Tax	420	0	392	469	147	167	145	135	120	165
Gasoline Tax	199	90	150	115						
Total Provincial Taxes	\$ 2,181	\$ 1,607	\$ 2,160	\$ 1,879	\$ 1,515	\$ 2,344	\$ 2,524	\$ 2,580	\$ 2,329	\$ 2,766
Total Pre-Reform Taxes*	\$ 2,361	\$ 1,881	\$ 2,361	\$ 2,163	\$ 1,695	\$ 2,929	\$ 2,606	\$ 2,563	\$ 2,357	\$ 2,961
Net Tax Savings	\$ 180	\$ 274	\$ 201	\$ 284	\$ 180	\$ 585	\$ 82	\$ (17)	\$ 28	\$ 195
Rent	\$ 8,916	\$ 7,884	\$ 5,532	\$ 5,880	\$ 10,692	\$ 6,060	\$ 5,088	\$ 6,864	\$ 5,394	\$ 6,120
Electricity	352	645	615	378	585	411	547	603	659	598
Telephone	331	306	282	324	292	302	257	321	315	282
Auto Insurance	1,656	3,512	783	1,003	4,492	1,450	4,379	4,018	3,793	3,771
Total Household Charges	\$11,255	\$12,347	\$ 7,212	\$ 7,585	\$16,061	\$ 8,223	\$10,271	\$11,806	\$10,161	\$10,771
Total	\$13,436	\$13,954	\$ 9,372	\$ 9,464	\$17,576	\$10,567	\$12,795	\$14,386	\$12,490	\$13,537

* Pre-reform taxes refers to total provincial taxes prior to the national reform of provincial income taxes that began in 2000. Net tax savings is determined as the difference between pre-reform taxes and 2003 total provincial taxes.

2003 Intercity Comparison of Taxes and Household Charges
Family at \$50,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
Provincial Income Tax	\$ 1,646	\$ 1,677	\$ 2,510	\$ 2,532	\$ 1,232	\$ 1,143	\$ 2,740	\$ 2,890	\$ 2,842	\$ 3,088
Tax Credits and Rebates	0	0	0	(400)	0	0	0	0	0	0
Health Premiums	1,296	1,056	0	0	0	0	0	0	0	0
Retail Sales Tax	858	0	803	947	1,153	1,557	1,690	1,690	1,289	1,781
Gasoline Tax	399	180	300	230	294	334	290	270	240	330
Total Provincial Taxes	\$ 4,199	\$ 2,913	\$ 3,613	\$ 3,309	\$ 2,679	\$ 3,034	\$ 4,720	\$ 4,850	\$ 4,371	\$ 5,199
Total Pre-Reform Taxes*	\$ 4,510	\$ 3,486	\$ 4,453	\$ 3,925	\$ 3,268	\$ 5,182	\$ 4,884	\$ 4,610	\$ 4,446	\$ 5,555
Net Tax Savings	\$ 311	\$ 573	\$ 840	\$ 616	\$ 589	\$ 2,148	\$ 164	\$ (240)	\$ 75	\$ 356
Mortgage Costs	\$10,982	\$ 7,560	\$ 4,632	\$ 4,721	\$11,139	\$ 5,081	\$ 3,908	\$ 5,101	\$ 4,222	\$ 3,699
Property Taxes	2,334	1,939	2,063	3,173	2,926	2,573	1,600	2,142	1,500	967
Home Heating	1,575	1,040	1,230	1,375	1,405	2,072	1,933	1,849	1,599	1,741
Electricity	569	981	944	589	895	603	838	951	986	879
Telephone	331	306	282	324	292	302	257	321	314	282
Auto Insurance	2,292	2,151	991	1,182	2,747	1,982	2,721	3,439	2,407	2,845
Total Household Charges	\$18,083	\$13,977	\$10,142	\$11,364	\$19,404	\$12,613	\$11,257	\$13,803	\$11,028	\$10,413
Total	\$22,282	\$16,890	\$13,755	\$14,673	\$22,083	\$15,647	\$15,977	\$18,653	\$15,399	\$15,612

2003 Intercity Comparison of Taxes and Household Charges
Family at \$75,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
Provincial Income Tax	\$ 3,489	\$ 4,039	\$ 5,308	\$ 5,890	\$ 3,524	\$ 6,609	\$ 5,685	\$ 5,974	\$ 5,726	\$ 6,423
Tax Credits and Rebates	0	0	0	(400)	0	0	0	0	0	0
Health Premiums	1,296	1,056	0	0	0	0	0	0	0	0
Retail Sales Tax	1,164	0	1,082	1,265	1,543	2,073	2,231	2,231	1,723	2,353
Gasoline Tax	399	180	300	230	294	334	290	270	240	330
Total Provincial Taxes	\$ 6,348	\$ 5,275	\$ 6,690	\$ 6,985	\$ 5,361	\$ 9,016	\$ 8,206	\$ 8,475	\$ 7,689	\$ 9,106
Total Pre-Reform Taxes*	\$ 7,434	\$ 6,046	\$ 8,102	\$ 7,970	\$ 5,901	\$10,811	\$ 8,582	\$ 8,371	\$ 7,971	\$ 9,759
Net Tax Savings	\$ 1,086	\$ 771	\$ 1,412	\$ 985	\$ 540	\$ 1,795	\$ 376	\$ (104)	\$ 282	\$ 653
Mortgage Costs	\$10,982	\$ 7,560	\$ 4,632	\$ 4,721	\$11,139	\$ 5,081	\$ 3,908	\$ 5,101	\$ 4,222	\$ 3,699
Property Taxes	2,334	1,939	2,063	3,173	2,926	2,573	1,600	2,142	1,500	967
Home Heating	1,575	1,040	1,230	1,375	1,405	2,072	1,933	1,849	1,599	1,741
Electricity	569	981	944	589	895	603	838	951	986	879
Telephone	331	306	282	324	292	302	257	321	314	282
Auto Insurance	2,292	2,151	991	1,182	2,747	1,982	2,721	3,439	2,407	2,845
Total Household Charges	\$18,083	\$13,977	\$10,142	\$11,364	\$19,404	\$12,613	\$11,257	\$13,803	\$11,028	\$10,413
Total	\$24,431	\$19,252	\$16,832	\$18,349	\$24,765	\$21,629	\$19,463	\$22,278	\$18,717	\$19,519

* Pre-reform taxes refers to total provincial taxes prior to the national reform of provincial income taxes that began in 2000. Net tax savings is determined as the difference between pre-reform taxes and 2003 total provincial taxes.

Taxes and Household Charges – Notes

Tax estimates are calculated using known changes as of March 1, 2003. All household charges are based on information available to Saskatchewan Finance as of January 1, 2003.

Provincial Income Tax is calculated for an individual with \$25,000 and two families with \$50,000 and \$75,000 income respectively. It is assumed that family income is earned by both spouses at a 60 per cent to 40 per cent ratio and that the families each claim \$3,000 in child care expenses for two dependent children (ages 6 and 12). Personal non-refundable credits used include the CPP/QPP and EI contribution credits. Gross Québec Personal Income Tax has been reduced by the Québec Child Care Expense Tax Credit and by the 16.5 per cent abatement from federal income tax.

Tax Credits and Rebates refer to refundable provincial income tax credits and rebates designed to reduce the impact of retail sales tax, rental payments and property taxes.

Health Premiums are annual premiums for hospital insurance and medical services.

Retail Sales Tax is based upon average family expenditure baskets at the total income levels from the *Survey of Family Expenditures in 1996* (Statistics Canada). The sales tax base in each province was identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. Provincial retail sales taxes were then estimated based on taxable expenditures in each province.

Gasoline Tax is based on annual consumption of 1,000 litres by the single tax filer, and 2,000 litres for each of the families.

Rent is based on average one-bedroom apartment rents for each metropolitan area, from the Canada Mortgage and Housing Corporation's *Rental Market Report*, October 2002.

Mortgage Costs are based on average home prices for a detached bungalow, from the Royal LePage Third Quarter 2002 *Survey of Canadian House Prices*, with one-half of the home price being financed over 25 years at a one-year closed mortgage rate of 5.0 per cent.

Property Taxes are based on the average estimated taxes for a detached bungalow, from the Royal LePage Third Quarter 2002 *Survey of Canadian House Prices*. All provincial, municipal, education and library property taxes are included in the property taxes figures.

Home Heating charges are based on an annual consumption level of 3,550 m³ of natural gas. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. Rates include applicable municipal taxes and surcharges.

Electricity charges are based on an annual consumption level of 4,584 kWh for the renter and 8,100 kWh for the homeowners. Rates include applicable municipal taxes and surcharges.

Telephone charges are the basic service rates for individual residences. Rates include applicable municipal taxes and surcharges.

Auto Insurance for the 22-year-old single male profile is based on the premium rate for this individual driving a 1992 Honda Civic DX hatchback. The driver has had his driver's licence for six years, owned the vehicle and been insured for four years, and had one at-fault collision claim 18 months ago. Coverage includes \$1,000,000 third party liability, \$200 deductible collision (\$250 in Calgary, Saint John, Charlottetown, Halifax and St. John's; \$300 in Toronto) and \$250 deductible comprehensive in each city surveyed. The auto insurance premium rates for this profile have been obtained from the Runzheimer Canada independent survey (Vancouver, Calgary, Saskatoon and Toronto), Kanetix.com on-line insurance quote provider (Montréal, Saint John, Halifax, Charlottetown and St. John's), and the Consumers' Association of Canada Auto Insurance study (Winnipeg).

Auto Insurance for the other family profiles is based on the premium rate for a male over 30 years of age, driving a 1998 Ford Taurus. Coverage includes \$1,000,000 third party liability, \$200 deductible collision (\$250 in Calgary, Saint John, Charlottetown and Halifax; \$300 in Toronto and St. John's) and \$100 deductible comprehensive in each city surveyed.

Major Federal Transfers

Description

Saskatchewan receives two major transfers from the federal government – the Canada Health and Social Transfer (CHST) and Equalization. For 2003-04, it is estimated that Equalization and CHST transfers will total \$860.1 million, an increase of \$201.1 million from forecasted 2002-03 transfers of \$659.0 million.

CHST

The CHST was introduced in 1996-97 as a replacement for the Established Programs Financing (EPF) and the Canada Assistance Plan (CAP) programs. The introduction of the CHST coincided with a dramatic reduction in federal support for health care, post-secondary education and social services. The federal government reduced its annual cash transfers to the provinces by \$6.2 billion nationally, from a high of \$18.7 billion in 1994-95 to \$12.5 billion in 1997-98.

Beginning in 1999, the federal government began increasing its financial commitment to social programs. Most recently, the federal government committed to providing an additional \$10.0 billion in transfers to the provinces and territories in support of health care in Canada over a three-year period, beginning in 2003-04.

This commitment includes:

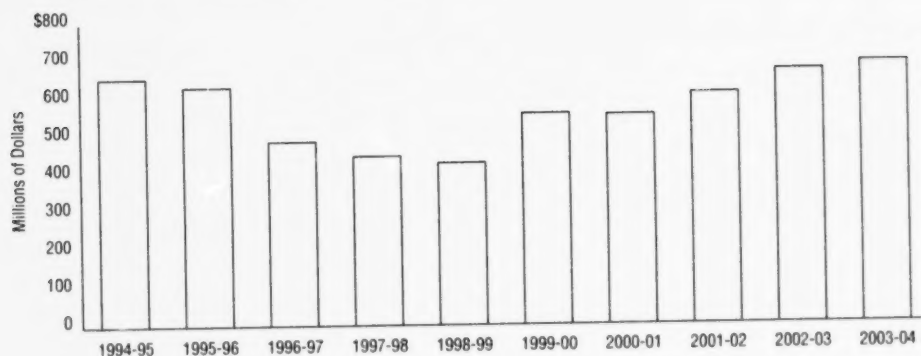
- an increase in the CHST (\$2.5 billion);
- the introduction of a conditional health reform fund (\$6.0 billion); and,
- the introduction of a conditional diagnostic/medical equipment fund (\$1.5 billion).

As a result of this commitment, Saskatchewan is expected to receive about \$320 million in increased transfers over the next three years. Of this amount, about \$80 million is attributed to 2003-04 (\$32 million in CHST and \$48 million in other transfers).

The federal government also committed to provide up to an additional \$2.0 billion in federal health funding if "the federal Minister of Finance determines during the month of January (2004) that there will be a sufficient surplus above the normal contingency reserve to permit such an investment." Saskatchewan's share of this amount will be about \$64 million.

The following table shows the level of federal CHST cash transfers to Saskatchewan. These amounts do not include either health reform funds or diagnostic/medical equipment funds, which are reported as Other Transfers from the Government of Canada.

Saskatchewan CHST Receipts



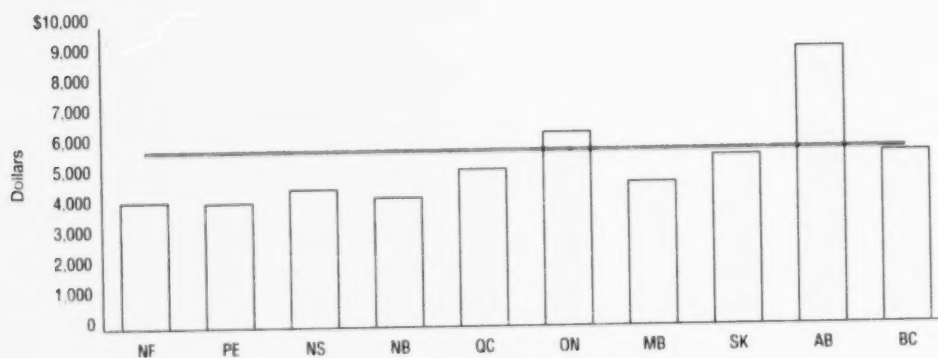
Equalization

Equalization is a federal program that measures how well provinces can raise revenues relative to a standard. Provinces with an above-average revenue raising capacity (i.e., those above the standard) are designated "have" provinces – currently Alberta and Ontario – while those with

a lower-than-average revenue raising capacity are designated "have not" provinces – currently the eight remaining provinces, including Saskatchewan. The "have not" provinces are entitled to receive Equalization payments from the federal government.

2002-03 Per Capita Fiscal Capacities

□ Per Capita Fiscal Capacity — Standard



Source: February 2003 federal estimates for 2002-03

Saskatchewan's Equalization receipts have varied significantly over the years. The graph at the bottom of this page provides an illustration of the volatility of Saskatchewan's Equalization receipts over a 10-year period.

This degree of volatility is evident in the Equalization figures shown in the 2003-04 Budget.

- For 2002-03, Equalization receipts are significantly lower than the budget estimate primarily due to the strong growth in Saskatchewan's own-source revenues.
- For 2003-04, a decline in own-source revenues, primarily oil revenues, will result in an increase in Saskatchewan's Equalization receipts.

Equalization Mining Tax Base

In October 2002, the federal government advised Saskatchewan that Statistics Canada had just completed its determination of net mining profits for 1999 and that this data would be used to determine 1999-00, 2000-01, 2001-02 and 2002-03 Equalization entitlements.

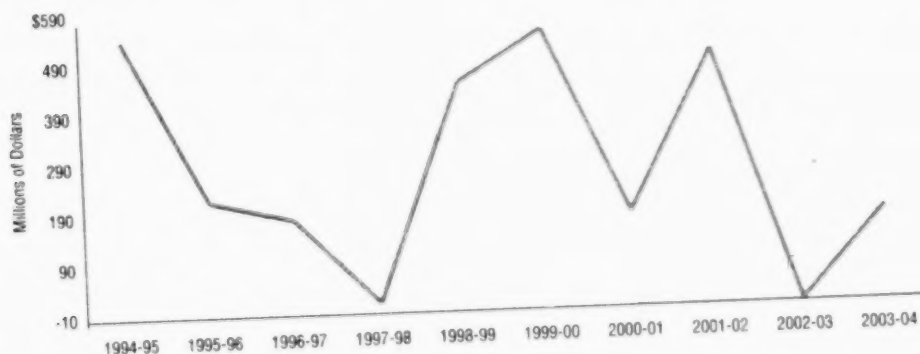
The financial implication of this data update was unexpected and significantly negative for Saskatchewan, resulting in a \$298.4 million reduction in entitlements for Saskatchewan over the 1999-00 to 2002-03 period.

On February 17, 2003, the federal government informed Saskatchewan that it was prepared to re-estimate mining tax base entitlements for the 2000-01 and subsequent fiscal years based on a forecast of net mining profits for 2000 using more recent industry information. This revision improved the financial implication for Saskatchewan.

The federal government also committed to a full review of the mining tax base as part of the April 1, 2004 renewal of the program.

Saskatchewan continues to have concerns with the methodology used to determine mining-related Equalization entitlements and the instability of those entitlements. Discussions on these issues will continue with the federal government.

Saskatchewan's Equalization Receipts



2003-04 Borrowing and Debt

Introduction

This paper discusses the Province's 2003-04 estimated borrowing, debt and debt servicing costs compared to the forecast for 2002-03.

Debt

The debt of the General Revenue Fund consists of:

- Gross Debt – the amount of money owed to lenders; *plus*
- Guaranteed Debt – the debt of Crown corporations and others that the Province has promised to repay if they are unable to do so; *less*
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

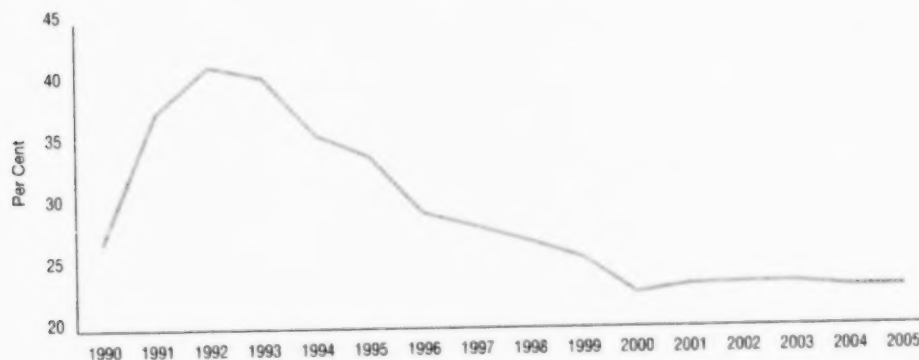
The Province borrows for government and Crown corporations. Crown corporations are responsible for the principal and interest payments on their debt. Crown corporation debt is incurred in the

normal course of business, primarily for investment in infrastructure and business development initiatives which provide revenue streams to service the debt.

Since March 31, 1994, Crown corporation debt has fallen by 33.0 per cent from \$5.7 billion, or 24.7 per cent of Gross Domestic Product (GDP), to an estimated \$3.8 billion, or 10.6 per cent of GDP, at March 31, 2004. As at March 31, 2004, 84 per cent of estimated Crown corporation debt will be for the utility Crown corporations.

Government debt has fallen by 9.0 per cent from a peak of \$9.2 billion, or 40.5 per cent of GDP, at March 31, 1994 to an estimated \$8.4 billion, or 23.5 per cent of GDP, at March 31, 2004.

Government Debt as a Share of GDP
As at March 31



Summary of Debt

As at March 31

<i>(Millions of Dollars)</i>	Estimated 2004	Forecast 2003	Actual 2002
Crown Corporation Debt			
Gross Debt	\$ 3,978.0	\$ 3,865.4	\$ 3,921.1
Guaranteed Debt	16.5	40.7	37.4
Sinking Funds	217.7	190.9	312.9
Crown Corporation Debt	\$ 3,776.8	\$ 3,715.2	\$ 3,645.6
Government Debt			
Gross Debt	\$ 9,059.7	\$ 8,532.8	\$ 8,165.9
Guaranteed Debt	123.7	160.0	223.4
Sinking Funds	751.2	681.6	604.0
Government Debt	\$ 8,432.2	\$ 8,011.2	\$ 7,785.3
Total Debt	\$ 12,209.0	\$ 11,726.4	\$ 11,430.9

Total Debt by Purpose

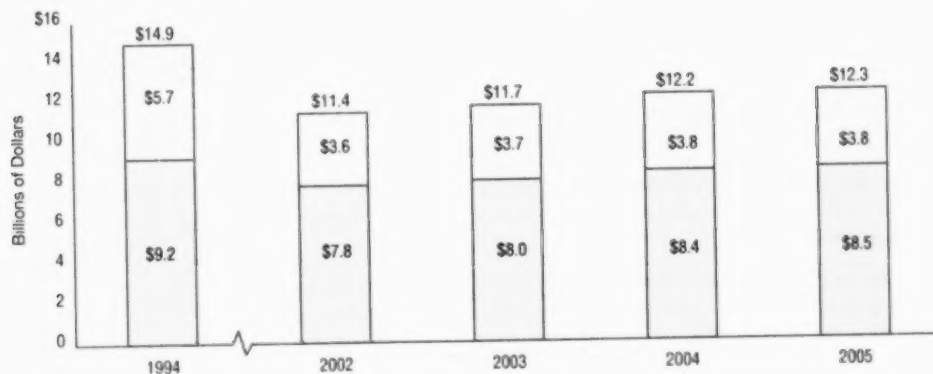
As at March 31

<i>(Millions of Dollars)</i>	Estimated 2004	Forecast 2003	Actual 2002
Crown Corporation Debt			
Agricultural Credit Corporation of Saskatchewan	\$ 26.3	\$ 37.9	\$ 39.4
Crown Investments Corporation of Saskatchewan	18.9	15.5	20.0
Education Infrastructure Financing Corporation	86.5	54.3	0.0
Information Services Corporation of Saskatchewan	67.0	64.0	54.3
Municipal Financing Corporation of Saskatchewan	14.0	13.4	27.1
Saskatchewan Crop Insurance Corporation	102.0	110.0	0.0
Saskatchewan Development Fund	0.8	1.0	1.2
Saskatchewan Housing Corporation	76.0	100.7	138.4
Saskatchewan Opportunities Corporation	151.0	143.9	162.4
Saskatchewan Power Corporation	1,959.2	1,949.9	1,936.7
Saskatchewan Property Management Corporation	4.1	4.8	5.5
Saskatchewan Telecommunications	506.2	420.3	433.8
Saskatchewan Water Corporation	62.5	49.5	38.9
Saskatchewan Watershed Authority	2.0	1.5	0.0
SaskEnergy Incorporated	700.3	748.5	787.9
Total Crown Corporation Debt	\$ 3,776.8	\$ 3,715.2	\$ 3,645.6
Government Debt	\$ 8,432.2	\$ 8,011.2	\$ 7,785.3
Total Debt	\$ 12,209.0	\$ 11,726.4	\$ 11,430.9

Debt of the Province

As at March 31

☐ Crown Corporation Debt
 ☐ Government Debt



Total debt is forecast to increase by \$295.5 million during 2002-03 and \$482.6 million in 2003-04.

A decrease in deposits held for Saskatchewan Crop Insurance Corporation results in a forecast \$225.9 million increase in Government debt during 2002-03. Government debt is estimated to increase by \$421.0 million in 2003-04, primarily to replace funds withdrawn from the Fiscal Stabilization Fund.

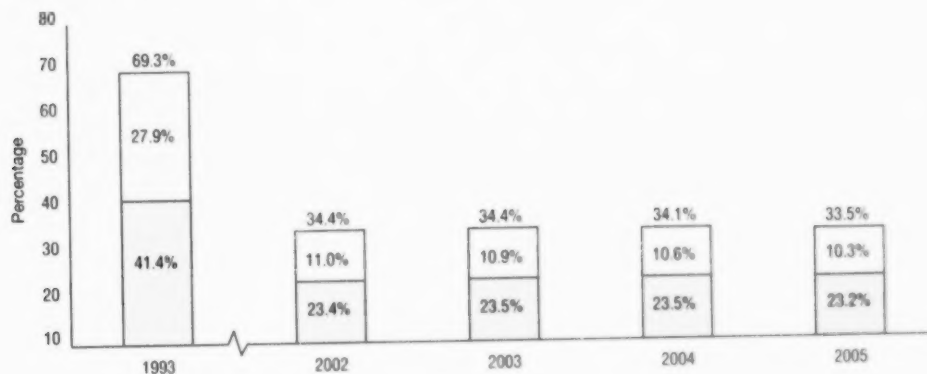
Crown corporation debt is forecast to increase by \$69.6 million during 2002-03 and \$61.6 million during 2003-04, primarily to finance capital expenditures.

Total debt as a percentage of GDP is forecast to decline marginally over the medium term from 34.4 per cent at March 31, 2002 to 33.5 per cent at March 31, 2005.

Debt as a % of GDP

As at March 31

☐ Crown Corporation Debt as a % of GDP
 ☐ Government Debt as a % of GDP



Reconciliation of Surplus and Change in Government Debt

The amount by which government debt will change may be higher or lower than the surplus reported under the accrual basis of accounting.

The difference between the surplus and the amount by which government debt will change is reconciled by:

1. **Adjusting the surplus to a cash basis** to recognize the amount and timing of non-cash revenues and expenditures to determine the cash provided from operations;
2. **Adding other cash sources or subtracting other cash requirements** to recognize the amount of cash inflows and outflows from loan, investment and other activities to determine the cash available to reduce debt;
3. **Adjusting for foreign exchange rate changes** to restate the value of foreign currency denominated debt due to changes in the exchange value of the Canadian dollar;
4. **Adding changes in sinking funds** which will be used to repay government debt; and,
5. **Adding the change in government guaranteed debt.**

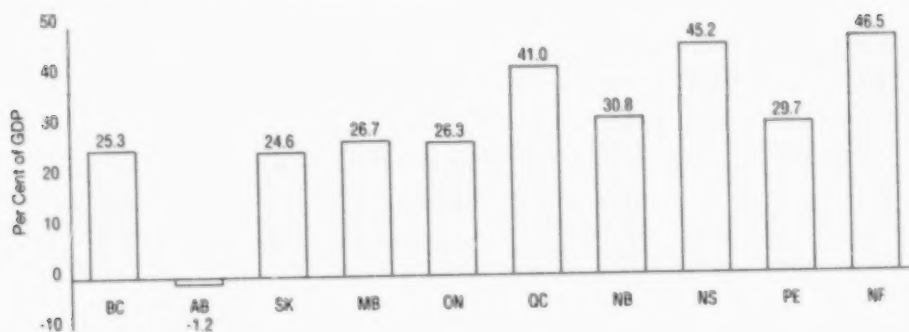
	Estimated 2003-04	Forecast 2002-03
	(\$ Millions)	
Surplus (on Accrual Accounting Basis)	\$ 0.1	\$ 2.1
1. Adjustment to Cash Basis	(244.1)	4.7
Cash Provided by (used for) Operations	\$ (244.0)	\$ 6.8
2. Other Cash Sources (Requirements)	(282.9)	(461.5)
Cash Available to Reduce Debt	\$ (526.9)	\$ (454.7)
3. Foreign Exchange Adjustment ¹	0.0	87.8
4. Change in Sinking Funds	69.6	77.6
5. Change in Guaranteed Debt	36.3	63.4
Decrease (Increase) in Government Debt	<u>\$ (421.0)</u>	<u>\$ (225.9)</u>

¹ An exchange rate of \$0.6724 US per \$1.00 Canadian has been used to convert US dollar denominated debt at March 31, 2003 and March 31, 2004, compared to \$0.6275 US at March 31, 2002.

On the basis of Dominion Bond Rating Service's overview of Canadian governments' 2002 budgets, released January 2003, Saskatchewan's tax-supported debt (net of unfunded pension liabilities) as a per cent of GDP was second lowest among the provinces.

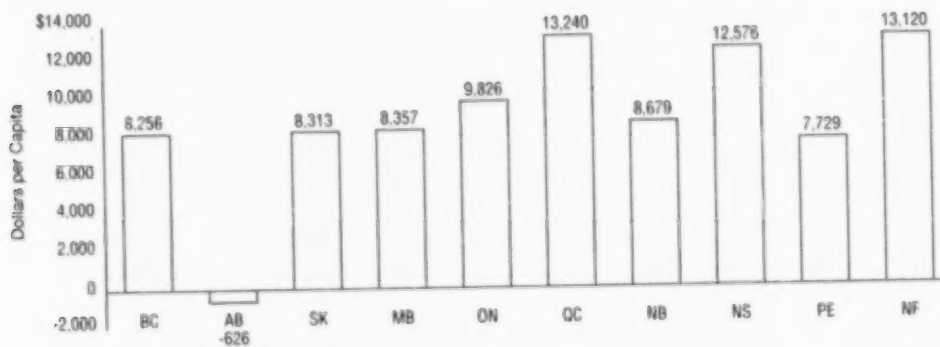
On a per capita basis, Saskatchewan ranks fourth lowest among the provinces.

Interprovincial Debt to GDP Comparison



Source: Dominion Bond Rating Service

Interprovincial Debt Per Capita Comparison



Source: Dominion Bond Rating Service

Borrowing

The Province borrows through the sale of securities in capital markets and through the sale of savings bonds to Saskatchewan residents.

The Province's 2003-04 borrowing requirements are estimated to be \$1.24 billion, compared to forecast requirements of \$996.8 million in 2002-03.

Borrowing requirements for government in 2003-04, estimated to be \$872.5 million (2002-03 forecast - \$621.9 million), are to finance maturing debt and other cash requirements, primarily the withdrawal of funds from the Fiscal Stabilization Fund.

Borrowing requirements for Crown corporations in 2003-04, estimated to be \$371.2 million (2002-03 forecast - \$374.9 million), are primarily to refinance debt borrowed on their behalf as well as to assist in the financing of their activities.

Cost of Servicing Debt

In addition to interest payments, debt servicing costs include the amortization of gains or losses on debt that is denominated in foreign currencies resulting from a change in the value of the Canadian dollar, premiums, discounts, commissions and other costs related to the Province's debt.

The servicing costs for government gross debt are paid by the General Revenue Fund and are shown in the Estimates as Vote 12.

Servicing costs of debt borrowed on behalf of Crown corporations are also paid by the General Revenue Fund and are reimbursed by the respective Crown corporations. These costs are shown in the Estimates as Vote 177.

Debt servicing costs, primarily interest payments, associated with the Province's gross debt are estimated to total \$948.1 million in 2003-04, \$22.4 million higher than the 2002-03 forecast.

The cost of servicing government gross debt is estimated to be \$32.0 million higher in 2003-04 than forecast for 2002-03, due to higher debt.

Cost of Servicing Debt

	Estimated 2003-04	Forecast 2002-03
<i>(Millions of Dollars)</i>		
Crown Corporation Debt	\$ 298.1	\$ 307.7
Government Debt	650.0	618.0
Total Cost of Servicing Gross Debt	\$ 948.1	\$ 925.7

The 2003-04 debt servicing cost estimates are based on 3.5 per cent short-term and 6.5 per cent long-term interest rates. An exchange rate of \$0.6724 US per \$1.00 Canadian has been used to convert US dollar denominated debt as at March 31, 2003 and March 31, 2004.

A one percentage point increase in interest rates for a full year from levels assumed in the Budget would increase the estimated cost of servicing government gross debt in 2003-04 by approximately \$9.8 million.

A one cent change in the value of the Canadian dollar compared to the US dollar from the level assumed in the Budget would change the estimated cost in 2003-04 of servicing government gross debt by approximately \$2.8 million.

Oil Revenue

Saskatchewan receives revenue from the production of oil in the form of royalties, freehold oil production taxes, land lease sales and other revenue. All of these revenue sources are sensitive to oil price and production levels. Production levels are, in turn, sensitive to price fluctuations.

The West Texas Intermediate – WTI – light sweet crude oil price (fob Cushing, Oklahoma) is a common benchmark for pricing North American oil.

From January 1987 to January 2003, the monthly WTI oil price averaged US\$20.93 per barrel, but ranged from a high of US\$35.92 per barrel in October 1990 to a low of US\$11.28 per barrel in December 1998. Oil prices are very volatile and, consequently, very difficult to forecast.

The price for a barrel of WTI oil increased steadily through 2002-03 mainly due to world oil prices rising as a result of the Venezuelan strike

and the threat of war in Iraq. As a result, the fiscal year average WTI price assumption rose from US\$20.50 per barrel in the 2002-03 Budget to US\$27.66 per barrel for the 2002-03 forecast. World oil prices are projected to decline as the uncertainties surrounding Iraq are expected to diminish in the 2003-04 fiscal year. Hence, the average 2003-04 WTI price assumption is expected to be lower at US\$24.00 per barrel.

Provincial oil revenue is not perfectly correlated with WTI, rather, oil revenue reflects the actual prices paid for Saskatchewan oil. The actual price paid can vary from WTI on the basis of quality, foreign exchange rates and transportation factors. Almost 50 per cent of Saskatchewan oil is "heavy" which is a much lower quality than the typical light sweet crude oil. At the wellhead, the price of raw heavy crude oil (unblended) is lower than light oil in Saskatchewan.

Historical WTI Oil Prices



Oil revenue in 2002-03, based on actual performance to date and an updated wellhead price forecast for the remainder of the fiscal year, is expected to be \$415.7 million higher than the 2002-03 Budget estimate. The increase in revenue is due primarily to higher prices resulting in increased provincial Crown and freehold production tax revenue and to higher bonus bid revenue received from the sale of Crown mineral rights.

The 2003-04 oil revenue estimate reflects a decline in oil prices. Oil revenue is estimated to be \$490.1 million in 2003-04, down \$308.6 million from the 2002-03 forecast.

Oil Revenue Forecasts

<i>(Millions of Dollars)</i>	2002-03 Budget	2002-03 Forecast	2003-04 Budget
Oil Revenue	\$ 343.00	\$ 688.60	\$ 405.10
Bonus Bid Revenue	40.00	110.10	85.00
Total Oil Revenue	\$ 383.00	\$ 798.70	\$ 490.10
WTI (US\$/bbl)	\$ 20.50	\$ 27.66	\$ 24.00

Fiscal Stabilization Fund

The Fiscal Stabilization Fund (FSF) was established in 2000-01 as a budget stabilization mechanism. It formalized the stabilization function that had historically been performed by transfers from the Saskatchewan Liquor and Gaming Authority and its predecessor, the Saskatchewan Liquor Board.

The FSF plays a key role in the Province's long-term fiscal planning. From year-to-year, revenue can be volatile due to commodity price swings, changes in federal transfers or economic cycles and exceptional spending can be required because of unexpected events such as forest fires or droughts. The FSF provides a mechanism to manage short-term volatility in revenue and spending, allowing the Government to focus on long-term objectives.

In 2000-01, a transfer of \$775.0 million was made from the General Revenue Fund (GRF) to establish the FSF. In 2001-02, the FSF transfer to the GRF was \$280.0 million, leaving a balance of \$495.0 million in the FSF at the end of 2001-02.

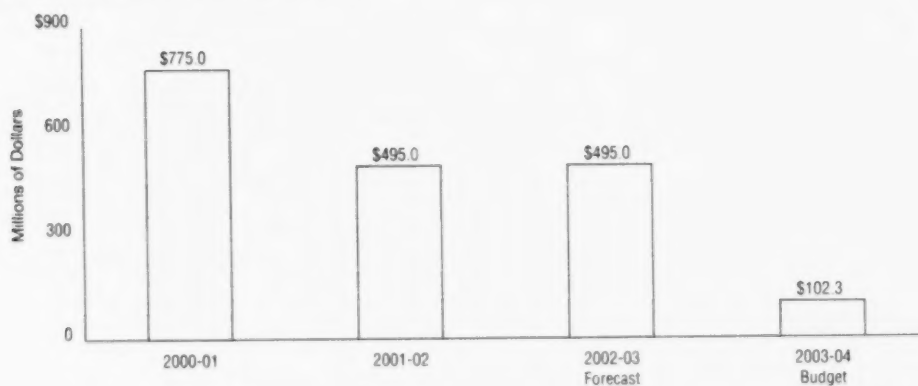
Unforeseen changes in the outlook for revenue and spending during 2002-03 led to significant revisions in the FSF forecast.

- The 2002-03 Budget estimated a transfer to the GRF of \$225.0 million would be required to balance the budget.
- During 2002-03, deteriorating revenue projections and increased drought-related spending were projected to be offset by increasing the FSF transfer. At mid-year, the FSF transfer for 2002-03 was projected to be \$324.3 million.
- Revenue for 2002-03 is currently expected to be \$310.2 million above the Budget estimate, obviating the need for a transfer from the FSF in 2002-03. This will leave \$495.0 million in the FSF at the end of 2002-03.

The 2003-04 Budget estimates a \$392.7 million transfer to the GRF will be required to balance the budget in 2003-04 and the remaining \$102.3 million will be required in 2004-05.

While these projected transfers will deplete the Fund by 2004-05, it is anticipated that future windfall revenue (as was used to establish the Fund) would be used to replenish the Fund as circumstances allow.

Fiscal Stabilization Fund Balances



Four-Year Financial Plan

The *Balanced Budget Act* requires the GRF budget to be balanced on a cumulative basis over a four-year period. The current four-year period extends from 2000-01 to 2003-04.

In 2000-01, the GRF recorded a surplus of \$57.7 million and in 2001-02 a surplus of \$1.1 million was recorded. The 2003-04 Budget

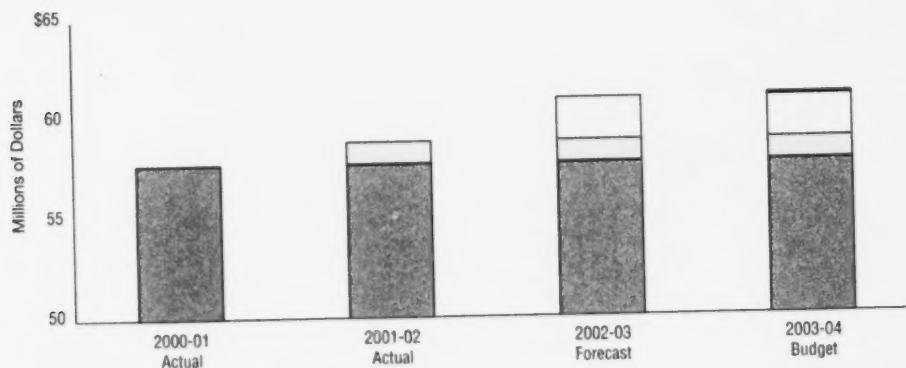
forecasts a surplus of \$2.1 million for 2002-03 and estimates a surplus of \$0.1 million for 2003-04.

Cumulatively, the surpluses over the four-year period from 2000-01 to 2003-04 are projected to total \$61.0 million.

GRF Financial Plan 2000-01 to 2003-04

<i>(Millions of Dollars)</i>	2000-01 Actual	2001-02 Actual	2002-03 Forecast	2003-04 Budget
Revenue	\$ 6,753.6	\$ 6,059.1	\$ 6,404.5	\$ 6,228.0
Operating Spending	5,256.8	5,721.2	5,784.4	5,970.6
Operating Surplus	1,496.8	337.9	620.1	257.4
Interest	664.1	616.8	618.0	650.0
Transfers (to) from FSF	(775.0)	280.0	0.0	392.7
Budget Balance	\$ 57.7	\$ 1.1	\$ 2.1	\$ 0.1
Cumulative Balance	\$ 57.7	\$ 58.8	\$ 60.9	\$ 61.0

Cumulative GRF Budget Balances 2000-01 to 2003-04



2003-04 Budget Details

BUILDING FOR THE FUTURE

General Revenue Fund
Statement of Revenue, Expenditure and Accumulated Deficit

	(thousands of dollars)		
	Estimated 2003-04	Forecast 2002-03	Estimated 2002-03
Revenue ¹	\$ 6,228,000	\$ 6,404,500	\$ 6,094,300
Operating Expenditure ²	5,970,566	5,784,444	5,686,255
Operating Surplus	\$ 257,434	\$ 620,056	\$ 408,045
Debt Servicing	(650,000)	(618,000)	(633,000)
Transfer from (to) Fiscal Stabilization Fund	392,700	-	225,000
Surplus for the Year	\$ 134	\$ 2,056	\$ 45
Accumulated Deficit, Beginning of Year	7,007,705	7,009,761	7,009,761
Accumulated Deficit, End of Year	\$ 7,007,571	\$ 7,007,705	\$ 7,009,716

¹ See Schedule of Revenue for details.

² See Schedule of Expenditure for details.

General Revenue Fund

Statement of Cash Flow

(thousands of dollars)

	Estimated 2003-04	Forecast 2002-03	Estimated 2002-03
Operating Activities			
Surplus for the Year	\$ 134	\$ 2,056	\$ 45
Add Non-cash Items:			
Amortization of Foreign Exchange Gains and Losses.....	11,584	11,584	18,688
Loss on Loans and Investments.....	1,720	3,275	1,200
Net Change in Non-cash Operating Activities.....	(214,554)	28,106	1,755
Earnings Retained in Sinking Funds.....	(42,909)	(38,203)	(38,016)
Cash (for) from Operating Activities	\$ (244,025)	\$ 6,818	\$ (16,328)
Lending and Investing Activities			
Receipts	\$ 372,962	\$ 489,723	\$ 529,041
Disbursements	539,397	546,307	439,713
Cash (for) from Lending and Investing Activities	\$ (166,435)	\$ (56,584)	\$ 89,328
Financing Activities			
Borrowing.....	\$ 1,243,658	\$ 996,798	\$ 507,039
Debt Repayment.....	(604,115)	(521,412)	(514,439)
Increase (Decrease) in Deposits Held.....	(392,700)	(380,257)	(225,000)
Cash (for) from Financing Activities	\$ 246,843	\$ 95,129	\$ (232,400)
(Decrease) Increase in Cash	\$ (163,617)	\$ 45,363	\$ (159,400)

General Revenue Fund
Schedule of Revenue

(thousands of dollars)

	Estimated 2003-04	Forecast 2002-03	Estimated 2002-03
Taxes			
Corporation Capital.....	\$ 363,300	\$ 377,600	\$ 340,200
Corporation Income.....	340,900	178,200	118,500
Fuel.....	350,400	352,000	357,700
Individual Income.....	1,275,100	1,429,000	1,165,500
Sales.....	851,700	830,000	826,900
Tobacco.....	167,100	173,000	182,500
Other.....	73,600	72,100	66,200
	\$ 3,422,100	\$ 3,411,900	\$ 3,057,500
Taxes			
Non-Renewable Resources			
Natural Gas.....	\$ 119,100	\$ 129,800	\$ 87,000
Oil.....	490,100	798,700	383,000
Potash.....	165,900	171,400	202,600
Other.....	41,700	49,400	38,200
	\$ 816,800	\$ 1,149,300	\$ 710,800
Non-Renewable Resources			
Transfers from Crown Entities			
Crown Investments Corporation of Saskatchewan.....	\$ 200,000	\$ 300,000	\$ 300,000
Saskatchewan Liquor and Gaming Authority.....	346,000	332,300	332,000
Other Enterprises and Funds.....	54,200	70,900	73,600
	\$ 600,200	\$ 703,200	\$ 705,600
Transfers from Crown Entities			
Other Revenue			
Fines, Forfeits and Penalties.....	\$ 12,900	\$ 12,900	\$ 13,700
Interest, Premium, Discount and Exchange.....	49,700	54,200	43,000
Motor Vehicle Fees.....	122,200	119,000	116,900
Other Licences and Permits.....	42,200	41,800	41,800
Sales, Services and Service Fees.....	77,500	72,400	68,300
Transfers from Other Governments.....	14,700	17,300	14,100
Other.....	15,000	24,000	21,200
	\$ 334,200	\$ 341,600	\$ 319,000
Other Revenue			
	\$ 5,173,300	\$ 5,606,000	\$ 4,792,900
Own-Source Revenue			
Transfers from the Government of Canada			
Canada Health and Social Transfer.....	\$ 687,800	\$ 668,200	\$ 638,300
Equalization Payments.....	172,300	(9,200)	530,700
Other.....	194,600	139,500	132,400
	\$ 1,054,700	\$ 798,500	\$ 1,301,400
Transfers from the Government of Canada			
Revenue	\$ 6,228,000	\$ 6,404,500	\$ 6,094,300

General Revenue Fund Schedule of Expenditure

(thousands of dollars)

	Estimated 2003-04	Forecast 2002-03	Estimated 2002-03
Executive Branch of Government			
Agriculture, Food and Rural Revitalization	\$ 251,818	\$ 318,156	\$ 291,665
Centenary Fund	29,000	24,500	29,500
Community Resources and Employment	605,963	606,718	609,411
Corrections and Public Safety	118,550	116,518	114,286
Culture, Youth and Recreation	43,698	43,558	42,888
Environment	139,743	179,982	130,876
Executive Council	7,409	7,211	7,436
Finance	39,489	37,944	38,493
- Public Service Pensions and Benefits ¹	200,174	188,295	188,713
Government Relations and Aboriginal Affairs	190,346	176,525	173,600
Health	2,526,794	2,351,627	2,342,416 ³
Highways and Transportation	296,192	294,505	292,900 ³
Industry and Resources	77,541	74,950	69,301
Information Technology Office	5,365	5,448	5,457
Justice ²	190,947	184,941	184,285
Labour	14,246	13,817	13,834
Learning	1,057,155	974,728	968,336
- Teachers' Pensions and Benefits	108,261	112,313	105,398
Northern Affairs	5,519	4,460	4,478
Public Service Commission	8,554	8,554	8,614
Saskatchewan Property Management Corporation	17,608	21,833	21,613
Saskatchewan Research Council	7,964	7,714	7,871
Saskatchewan Water Corporation	-	2,650	7,747
Legislative Branch of Government			
Chief Electoral Officer	811	1,261	811
Conflict of Interest Commissioner	122	107	122
Information and Privacy Commissioner	306	136	105
Legislative Assembly	18,465	17,615	17,721
Ombudsman and Children's Advocate	2,771	2,651	2,651
Provincial Auditor	5,755	5,727	5,727
Operating Expenditure	\$ 5,970,566	\$ 5,784,444	\$ 5,686,255
Servicing Government Debt	650,000	618,000	633,000
Expenditure	\$ 6,620,566	\$ 6,402,444	\$ 6,319,255

¹ Includes public service pension expenditures related to all branches of government (executive, legislative and judicial).

² Includes expenditures for the judicial branch of government.

³ Adjusted to reflect a \$7.4 million addition to Health and a \$7.4 million reduction to Highways and Transportation as reflected in The Main Appropriation Act, 2002.

General Revenue Fund
Schedule of Borrowing Requirements

(thousands of dollars)			
	Estimated 2003-04	Forecast 2002-03	Estimated 2002-03
Borrowing for Crown Corporations			
Agricultural Credit Corporation of Saskatchewan	\$ 1,900	\$ 8,800	\$ 9,434
Crown Investments Corporation	3,700	-	-
Education Infrastructure Financing Corporation	32,400	54,300	89,200
Information Services Corporation of Saskatchewan	3,000	9,700	7,000
Municipal Financing Corporation of Saskatchewan	600	4,000	4,000
Saskatchewan Crop Insurance Corporation	-	110,000	-
Saskatchewan Housing Corporation	-	20,000	27,500
Saskatchewan Opportunities Corporation	8,200	5,000	20,000
Saskatchewan Power Corporation	193,000	100,000	-
Saskatchewan Telecommunications Holding Corporation	113,700	-	94,600
Saskatchewan Water Corporation	14,200	11,600	10,800
Saskatchewan Watershed Authority	500	1,500	-
SaskEnergy Incorporated	-	50,000	-
Borrowing for Crown Corporations	\$ 371,200	\$ 374,900	\$ 262,534
Borrowing for Government	872,458	621,898	244,505
Borrowing Requirements	\$ 1,243,658	\$ 996,798	\$ 507,039

General Revenue Fund
Schedule of Debt
As at March 31

(thousands of dollars)

	Estimated 2004	Forecast 2003	Estimated 2003
Gross Debt			
Crown Corporation Debt			
Agricultural Credit Corporation of Saskatchewan	\$ 16,100	\$ 27,717	\$ 28,351
Crown Investments Corporation of Saskatchewan	24,619	20,919	40,419
Education Infrastructure Financing Corporation	86,700	54,300	85,749
Information Services Corporation of Saskatchewan	67,036	64,036	61,336
Municipal Financing Corporation of Saskatchewan	13,991	13,391	13,391
Saskatchewan Crop Insurance Corporation	102,000	110,000	-
Saskatchewan Housing Corporation	79,004	103,004	110,504
Saskatchewan Opportunities Corporation	155,901	147,701	165,701
Saskatchewan Power Corporation	2,087,277	2,041,802	1,928,964
Saskatchewan Property Management Corporation	5,500	5,500	5,500
Saskatchewan Telecommunications Holding Corporation	543,881	452,822	558,062
Saskatchewan Water Corporation	66,659	53,173	52,373
Saskatchewan Watershed Authority	2,000	1,500	-
SaskEnergy Incorporated	727,286	769,486	762,186
Crown Corporation Debt	\$ 3,977,954	\$ 3,865,351	\$ 3,812,536
Government Debt	9,059,699	8,532,759	8,267,070
Gross Debt	\$13,037,653	\$12,398,110	\$12,079,606
Guaranteed Debt			
Crown Corporations	\$ 16,547	\$ 40,725	\$ 30,073
Other	123,672	160,013	176,325
Guaranteed Debt	\$ 140,219	\$ 200,738	\$ 206,398
Less: Equity in Sinking Funds			
Crown Corporations	\$ 217,697	\$ 190,870	\$ 188,174
Government	751,174	681,612	703,558
Equity in Sinking Funds	\$ 968,871	\$ 872,482	\$ 891,732
Total Debt	\$12,209,001	\$11,726,366	\$11,394,272
Total Crown Corporation Debt	\$ 3,776,804	\$ 3,715,206	\$ 3,654,435
Total Government Debt	8,432,197	8,011,160	7,739,837
Total Debt	\$12,209,001	\$11,726,366	\$11,394,272

General Revenue Fund
Schedule of Guaranteed Debt
As at March 31

(thousands of dollars)

	Estimated 2004	Forecast 2003	Estimated 2003
Guaranteed Debt for Crown Corporations			
The Agricultural Credit Corporation of Saskatchewan Act			
Livestock Drought Loan Guarantees	\$ 10,200	\$ 10,200	\$ -
The Power Corporation Act			
National Trust Company	5,495	7,837	7,837
Luscar Ltd.	-	21,628	21,033
Saskatchewan Power Savings Bonds			
Series I to Series VII (matured)	52	60	44
The Saskatchewan Development Fund Act			
Guaranteed Investments	800	1,000	1,000
The Saskatchewan Telecommunications Act			
TeleBonds (matured)	-	-	159
Guaranteed Debt for Crown Corporations	\$ 16,547	\$ 40,725	\$ 30,073
Other Guaranteed Debt			
The Community Bonds Act	\$ -	\$ -	\$ 11
The Farm Financial Stability Act			
Breeder Associations Loan Guarantees	18,000	16,000	16,749
Feeder Associations Loan Guarantees	17,000	13,500	12,913
Agricultural Income Disaster Assistance Program	28	40	52
Individual Feedlot Loan Guarantees	5,000	-	-
Feedlot Facilities Loan Guarantees	3,000	-	-
The Government Organization Act			
The Saskatchewan Roughriders Football Club	-	3,100	1,660
The Housing and Special Care Homes Act			
Senior Citizens' Housing	57	76	76
The Industry and Commerce Development Act			
Saskferco Products Inc.	32,120	67,695	80,498
The NewGrade Energy Inc. Act			
NewGrade Energy Inc.	48,267	59,277	64,070
The Student Assistance and Student Aid Fund Act	200	325	296
Other Guaranteed Debt	\$ 123,672	\$ 160,013	\$ 176,325
Guaranteed Debt	\$ 140,219	\$ 200,738	\$ 206,398

Contact Information

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Regina, Saskatchewan S4P 4A6
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All budget material is available online:
www.gov.sk.ca/finance/budget

2003 - 04

SASKATCHEWAN
Provincial Budget

BUILDING FOR THE FUTURE

Our Plan for 2003 - 04



SASKATCHEWAN
The Hon. Jim Melenchuk
Minister of Finance

Introduction

The Government's plan and budget for 2003-04 is the result of a comprehensive departmental planning and budget process over the past nine months. This plan and budget are part of continuing efforts to support a managing-for-results approach within government. Preparing plans, tracking progress and reporting back will lead to more and better information for managers and decision-makers, enhanced accountability to the public and, ultimately, improved government performance and a better quality of life for Saskatchewan people.

The Government's plan for 2003-04 touches upon past accomplishments and highlights key initiatives planned over the coming year in support of four overriding themes:

- A prosperous and competitive economy
- Strong and vibrant communities
- Healthy and self-reliant families
- Opportunities for youth

A fifth theme, "Modern and Competitive Infrastructure," emphasizing improvements to highways, water and sewer, schools and hospitals, etc., is woven throughout this document in support of the four themes listed above.

This document provides an overview of the key initiatives planned for the coming year. More detailed information about these and other important initiatives will be published later this year in department annual reports that will report on 2002-03 activities and present plans for 2003-04. Department plans will also include performance measures and baseline data to help the public monitor and evaluate the government's progress over time in achieving its stated priorities.

Departments will report back on actual results compared to their plans in 2003-04 Annual Reports, which will be released in July 2004. Information gathered through the reporting process will be used to continually re-evaluate the priorities and initiatives outlined in department plans.

Please note: The Action Plan initiatives on the following pages include a department reference at the end of each, indicating which area of Government is responsible for that particular action.

A Prosperous and Competitive Economy

Our government's plan to expand and diversify our economy includes increasing investor awareness of the opportunities for business and industry development in Saskatchewan.

[2003 Throne Speech]

Despite difficult global economic conditions over 2001 and 2002, and two consecutive years of drought in Saskatchewan, our economy is performing well. Steady, positive economic growth is projected in 2003 and beyond fueled by both our traditional strengths and emerging new industries.

The following section identifies some key initiatives planned for the coming year that will increase our global competitiveness, ensure good working conditions for Saskatchewan people, encourage innovation and development of new technologies, support our agricultural sector and expand the northern economy.

Maintain a Positive Business Climate to Support Investment and Job Creation

We continue to see the momentum of an economy that is diversified and growing. Our strong, competitive business climate is resulting in more prosperity for our businesses and more jobs for Saskatchewan people. The 2003-04 Budget builds on our success to date and will help to maintain a positive climate for investment and jobs.

The January 2002 KPMG Competitive Alternatives study confirmed that Saskatchewan is

one of the most competitive places to do business. Of the nine countries surveyed, Canada was the most competitive overall. Among all major cities in the North American midwest, Saskatoon was ranked the second most competitive and Saskatchewan's four largest cities – Saskatoon, Regina, Prince Albert and Moose Jaw – all ranked better than the Canadian average.

A key means of continuing to attract investment and jobs is the Premier's Investment Attraction Council, an internal body of ministers and senior officials established to ensure that government departments, agencies and Crown corporations work together in support of economic development. The Council has been instrumental in developing the ethanol strategy, the Saskatchewan Immigrant Nominee Program, the oil and gas royalty restructuring, a beef development strategy, an action plan on procurement and the Action Plan for Agro-Forestry.

Another key ongoing initiative is the Our Future is Wide Open campaign, part of the Government's ongoing commitment to improved attitudes about the province and promote business and investment in Saskatchewan.

We want to let everyone know that Saskatchewan is brimming with possibility, promise and prospects.

[Premier Lorne Calvert, January 2003]

Action Plan for 2003-04

- Further improve business tax competitiveness by expanding the incremental Corporation Capital Tax exemption, originally introduced in the 2002-03 Budget, from \$5 million to \$7.5 million effective January 1, 2004 and to \$10 million effective January 1, 2005 for Saskatchewan-based businesses, to achieve an aggregate exemption level of up to \$20 million. About 100 corporations will be removed from the tax rolls, while other Saskatchewan-based businesses will see a reduction in their Corporation Capital Tax of up to \$30,000 per year. Saskatchewan has the highest Corporation Capital Tax exemption level of the nine provinces with a corporate capital tax [Finance]
- Continue to improve the competitiveness of Saskatchewan small business corporations by lowering the small business corporate income tax rate from six per cent to 5.5 per cent effective January 1, 2004 and to five per cent effective January 1, 2005. Since 1991, the small business income tax rate has been reduced by one-half and increased the level of income to which this rate applies from \$200,000 to \$300,000 [Finance]
- Continue efforts to maintain a competitive fiscal environment to stimulate increased oil and gas exploration and development activity. Major changes to oil and gas royalties and taxes were announced in October 2002. The changes included lower royalty and tax structures, new volume incentives and a reduced Corporation Capital Tax Surcharge rate for production from new wells and projects effective October 1, 2002 [Industry and Resources]
- Implement year two of the six-year, \$12.6 million Saskatchewan Mineral Exploration Incentive Program, announced in September 2002. In 2003-04, the program will cost \$2.1 million and includes:
 - ~ A 10-year royalty holiday for new precious and base metal mines
 - ~ Development of a competitive royalty and tax regime for diamond mining
 - ~ A rebate of the tax on fuel used to generate power in remote locations and for off-road mineral exploration
 - ~ Incentives to encourage grassroots mineral exploration by individual prospectors and exploration companies
 - ~ Enhanced airborne geophysical surveys [Industry and Resources]
- Continue to work with First Nations and the federal government in meeting Treaty Land Entitlement obligations. Government has facilitated the transfer of more than 470,000 acres of land to Saskatchewan First Nations since 1992. This land base is the core of long-term economic development opportunities for Saskatchewan First Nations [Government Relations and Aboriginal Affairs]
- Promote development of the ethanol industry through the Greenprint for Ethanol Production released in March 2002. *The Ethanol Fuel Act*, proclaimed in July 2002, provides a legal framework to mandate an ethanol blend in gasoline sold in Saskatchewan. Saskatchewan fuel distributors will be required to ensure that there is a five per cent average ethanol content in all Saskatchewan gasoline distributed in the province, beginning April 1, 2004. The percentage requirement increases to 7.5 per cent January 1, 2005. Government will spend an estimated \$3.36 million in 2003-04, increasing to \$15.2 million in 2004-05, to provide a 15 cent per litre grant to those fuel distributors who purchase their ethanol from Saskatchewan producers [Industry and Resources]

- The Aboriginal Employment Development Program (AEDP) strives to build a workforce in Saskatchewan where Aboriginal people compete for jobs based on their skills and qualifications, and where they have representation at all occupational levels in proportion to their population numbers in the province. To date, under this Program, employers have hired more than 1,500 qualified Aboriginal people. In 2003-04:

- Eight new partnership agreements will be signed with employer organizations
- The number of Aboriginal people hired in partnership organizations will increase by 10 per cent, from 1,500 in 2002-03 to 1,650 in 2003-04
- The number of people receiving Aboriginal cultural awareness education in partnership organizations will increase by 30 per cent [Government Relations and Aboriginal Affairs]

- Nominate an estimated 100 principal applications under the Saskatchewan Immigrant Nominee Program. This program, which operates under an agreement with the federal government, allows Saskatchewan to nominate a set number of applicants who can make a significant economic contribution to the province [Government Relations and Aboriginal Affairs]

- Expand Saskbiz.ca community profiles beyond the pilot project area to other communities throughout the province. The Saskbiz website (www.saskbiz.ca) offers strategic investment information on Saskatchewan communities and recently received an Outstanding Economic Development Initiative award recognizing it as one of the best economic development promotional sites in North America. The website offers information on population, demographics, industries and the workforce in

Saskatchewan and the map-based technology provides quick access to accurate, local and regional data which helps investors and site selectors looking to establish new businesses in Saskatchewan [Industry and Resources]

- Saskatchewan Finance introduced the Saskatchewan Electronic Tax Service (SETS) in 2001-02, offering businesses a secure, fast and convenient alternative to filing tax returns in paper format (www.gov.sk.ca/finance/revenue/efile/). In January 2003, SETS was simplified by allowing businesses to submit a return using an access code rather than having to fully register for the service. Beginning in 2003-04, inter-jurisdictional truckers belonging to the International Fuel Tax Agreement will be able to file returns and pay taxes and fees using SETS [Finance]
- Saskatchewan Justice introduced a new Corporate Registry computer system (COBRA) in 1999-2000, offering registered businesses, non-profit corporations and co-operatives enhanced organization profile histories and on-line search capabilities (www.corporations.justice.gov.sk.ca). In 2002-03, COBRA was enhanced to add on-line filing of incorporations, annual returns and other event types for business corporations. By the end of 2003-04, 30 per cent of total registrations and filings with the Corporate Registry will be completed on-line [Justice]
- Implement an action plan on procurement to make it easier and less expensive for Saskatchewan suppliers to sell goods and services to government [Saskatchewan Property Management Corporation]

Good Working Conditions

The modern workplace is more complex and diverse than that of 30 years ago. Not only is the composition of the workforce significantly different, new industries, methods of work and markets have emerged in recent decades that have dynamically altered where, when, by and for whom work is now performed.

A healthy workplace encompassing safe and healthy work practices, fairness and equity, and inclusiveness and diversity is a key contributor to the economic well-being of the province. Injuries and inequity in the workplace exact a heavy toll on both employers and employees, particularly new entrants to the labour force. In 2001, injuries cost employers an estimated \$227.2 million in direct costs (compensation, medical aid and vocational rehabilitation). Positive employee-employer relations that reflect co-operation and teamwork are also keys to success and are essential to maintaining Saskatchewan's competitive position.

Occupational hazards are a primary reason why Saskatchewan and Canada continue to experience unacceptable levels of workplace injuries and illness. During 2003, Saskatchewan will expand its education program to prevent workplace accidents.

[2003 Throne Speech]

Action Plan for 2003-04

- Provide information on labour standards to the 50,000 to 70,000 workers, employers and human resource practitioners who call annually to the Government's toll-free inquiry line [Labour]
- Improve compliance with health and safety standards through 3,000 on-site inspections and reviews of 300 health and safety programs [Labour]
- Conduct between 2,000 and 2,500 labour standards investigations [Labour]
- Provide conciliation services to employers and unions to resolve disputes and conclude negotiations to establish or renew collective agreements [Labour]
- Develop and support the Workplace Responsibility System by supporting occupational health and safety committees, assisting workplaces to develop health and safety programs and helping to develop occupational health and safety representatives in smaller, higher-risk workplaces [Labour]

Foster Innovation

Innovation is a key driver of our economic growth, productivity and quality of life. A tradition of innovation has allowed Saskatchewan to develop a broad-based economy encompassing resources, food products, manufacturing, professional services, information technology and tourism. Innovative technologies developed at the universities have fueled rapid growth in information and communications, electronics and instrumentation and biotechnology.

Saskatchewan's universities continue to build on their success as centres of excellence in research and innovation. Between 1999-2000 and 2001-02, they posted a combined increase of 69 per cent in externally funded research and development. Investment in the provincial research parks and research agencies have further encouraged the development of high technology clusters, with national and international companies locating in Saskatchewan to access highly qualified people from our post-secondary institutions.

Continued research and development is vital to ensure that Saskatchewan stays competitive and is at the leading edge of technological advances.

Action Plan for 2003-04

- Begin operation of the Canadian Light Source, Canada's national synchrotron facility on the University of Saskatchewan campus, in January 2004. The \$173.5 million Canadian Light Source Synchrotron will be a powerful lure in attracting high technology companies. The synchrotron is creating direct jobs for researchers and has the potential to create hundreds of spin-off jobs in research [Industry and Resources]
- Begin construction of the Saskatchewan Forest Centre in Prince Albert in 2003. The Saskatchewan Forest Centre is charged with acquiring, creating and disseminating forest-related knowledge and ensuring that the forest industry has access to the best market research, new technologies and growth opportunities from across Canada and around the world. It is a non-profit company governed by a 13-member Board of Directors, nine from the private sector and four from government [Industry and Resources]
- Continue to support funding to the Petroleum Technology Research Centre (PTRC) in the Research Park at the University of Regina, a state-of-the-art facility that works to enhance the production and value of Saskatchewan's oil resources [Industry and Resources]
- Allocate approximately \$8 million through the Innovation and Science Fund to priority projects developed in consultation with the universities. This includes approximately \$4.8 million for upgrading the University of Saskatchewan Research Network (USR-Net) to support research in areas such as computer networking, medical imaging, structural sciences and bioinformatics by linking computers to improve access to information [Industry and Resources]
- Invest \$12.6 million in research and development funding for primary and value-added agriculture. In January 2003, the Government announced a \$3.12 million investment in agricultural research for 35 new agricultural research and development projects as part of its semi-annual funding program. This funding will help research and development at the University of Saskatchewan and projects at the Crop Development Centre, the Prairie Agricultural Machinery Institute, the Western College of Veterinary Medicine and the Veterinary Infectious Disease Organization [Agriculture, Food and Rural Revitalization]
- Continue to offer a 15 per cent corporate income tax credit to encourage private sector investment in research and development and the expansion of knowledge-based industries in the province. In 2003, this credit is expected to provide \$10 million in research and development assistance to Saskatchewan businesses [Finance]

- Continue supporting Saskatchewan research into advanced road materials by using new road strengthening technology developed by Saskatchewan-based Pavement Scientific International on 100 km of Thin Membrane Surface (TMS) reconstruction [Highways and Transportation]
- Provide \$400,000 to the University of Regina to establish a Canada Research Chair on environmental change and society [Learning]
- Host the "Explore our Energy" conference in April 2003, which will provide the opportunity to examine energy possibilities in Saskatchewan, new oil and gas technology and research and future directions for Saskatchewan energy business [Industry and Resources]
- Saskatchewan Industry and Resources and the Saskatchewan Research Council (SRC) have recently partnered with Precarn Incorporated to make \$4 million in funding available over four years through the Saskatchewan Intelligent Systems Technologies – Precarn Alliance Program for the development and application of intelligent system technologies in Saskatchewan. Intelligent systems can be found in robotics, machine sensing, human-machine interfaces, neural networks and controls and intelligent computation. These systems have broad applications in a number of sectors including mining, forestry, agri-food, energy, environment, manufacturing, space and aerospace, medical and information technologies, communication and virtual reality [Industry and Resources]

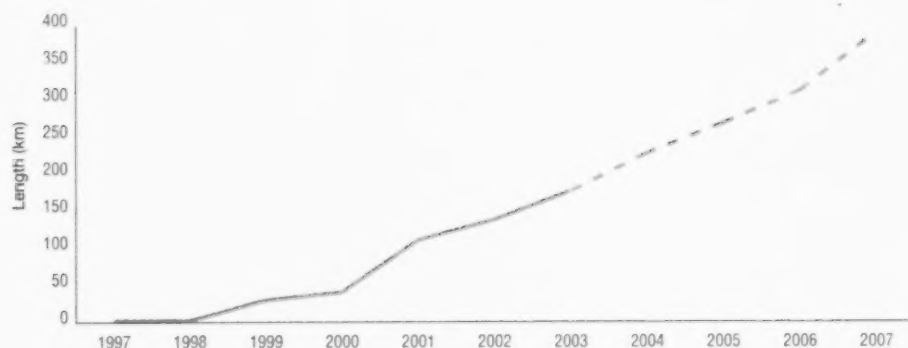
Accelerate Twinning and Develop Key Commercial Routes

Saskatchewan's economy is trade dependent – we need a competitive and accessible transportation system that will enable our producers, suppliers and manufacturers to access key commercial routes and link to major trade corridors. Our transportation network of roads and highways also connects families and communities and provides vital access to health, education and social services. Saskatchewan's plan for transportation addresses these challenges and is producing results.

Action Plan for 2003-04

- The province, in partnership with the federal government through the Strategic Highway Infrastructure Program (SHIP) and the Canada Strategic Infrastructure Fund (CSIF), will significantly accelerate progress on twinning:
 - Highway 1 west will be twinned in 2003 – *one year ahead of schedule*
 - Highway 1 east will be twinned in 2007 – *five years ahead of schedule*
 - Highway 16 between North Battleford and Lloydminster will be twinned in 2007 – *three years ahead of schedule*
 [Highways and Transportation]

Length of Twinning Highways 1 and 16



- Through the Centenary Fund, grade 13 km of Highway 6 north of the US border as part of a multi-year project to rebuild Highway 6 from the US border to 30 km north to support increasing north-south trade [Highways and Transportation]
- Recent regulation changes will result in year-round primary weight access on 10-month primary weight highways, providing increased transportation efficiency for Saskatchewan carriers and shippers [Highways and Transportation]
- As part of the federal-provincial Prairie Grain Roads Program, upgrade 150 km of Thin Membrane Surface roads on strategic grain haul corridors to a paved standard [Highways and Transportation]
- Continue the Centenary Enhanced Tourism Signing Program to promote Saskatchewan tourism. There are also initiatives to improve rest stop signing, expand directional signing for parks and provide new information signs at five major border crossings [Highways and Transportation]

Support the Agriculture Sector

The agriculture and food industry in Saskatchewan is a vital component of our economy. Historically, the industry has been driven by international demand for wheat, barley and canola, while being augmented by a modest livestock sector. In recent years, this orientation has shifted, and both sectors have been changing and growing.

Saskatchewan farmers continue their significant international presence in the export of traditional crops, but now are major world players in new crops such as lentils and mustard seed as well. Fully one out of every seven acres is seeded annually to pulse and special crops. In total, today's farmers grow over 50 different crops – all of which are chosen in response to market conditions. Many of these new crops being produced are higher value, with the result that under normal climatic conditions, we continue to increase the output per acre of land. Furthermore, our farmers are among the lowest cost producers

internationally, in large part because they utilize some of the most advanced dryland farming technologies in the world.

The provincial livestock sector is also evolving and growing. In the mid-1990s, we set a goal of producing two million slaughter hogs by 2002. The industry achieved this goal and continues to expand. Despite the impact of the 2002 drought, beef cow numbers totaled 1.25 million head at the beginning of 2003, up two per cent from a year earlier. The potential exists for the beef cow herd to expand to two million, which will provide one million feeder animals to be finished locally and enable the doubling of provincial processing in 10 years.

Utilizing our expanding and more diverse primary output, agricultural processing is greater than ever before. The total value of foods and feeds processed in the province rose to \$1.77 billion in 2001, an increase of 49 per cent from the level in the mid-1990s.

Saskatchewan producers continue to address the challenges of technological change and international market distortions, the pressure to achieve economies of scale and the need to manage both production and price risks. With a supportive environment, our agricultural industry will maintain its expansion and economic contribution to the provincial economy. Such an environment will allow producers to deal with both the demands and the opportunities of risk management, food safety, environmental sustainability, renewal and science and innovation.

The droughts of 2001 and 2002 demonstrate the importance of a strong crop insurance program. For the 2002 crop, payments to producers have exceeded \$1 billion, representing approximately 40 per cent of the total insurance coverage provided. In addition to this ongoing program to address production risk, timely, short-term actions were taken to help farmers address the drought. These measures included the Herd Retention Program and the Livestock Drought Loan Program. In addition, the province introduced the 2002 Short-Term Hog Loan Program in response to drought-driven increases in feed costs and a declining market price for hogs.

Although the resilience of the agricultural sector was severely tested in 2002, favorable soil moisture conditions and reasonable commodity prices indicate the industry is poised to recover in 2003.

Action Plan for 2003-04

- Invest \$1 billion over the next five years to implement the federal-provincial Agricultural Policy Framework (APF), using the five chapter framework to enhance our efforts to build the agricultural sector:
 - ~ Risk Management Chapter: build enhanced crop insurance and new Net Income Stabilization Account (NISA) programs
 - ~ Food Safety and Food Quality Chapter: assist industry in implementing on-farm food safety programs and refine strategies to build Saskatchewan's food processing sector, ensuring Saskatchewan's food processing sector can provide safe foods
 - ~ Environment Chapter: increase efforts to convert marginal crop land to permanent cover (in the last two years the Conservation

Cover Program has resulted in approximately one million acres being sown to grass) and develop an Environmental Farm Plan workbook to facilitate farm planning

- Renewal Chapter: provide farm families with better tools and resources to plan their future and respond to change (continue to develop the Farm Family Opportunities Initiative which proactively identifies and provides support for on-farm diversification, off-farm business and off-farm employment opportunities)
- Science and Innovation Chapter: continue long-standing support to agricultural research to ensure farmers have access to leading-edge technology to stay competitive

[Agriculture, Food and Rural Revitalization]

- Increase livestock production by improving access to capital, attracting new people to the industry, proactively identifying potential development opportunities and infrastructure requirements, and providing project support for new or expanding enterprises [Agriculture, Food and Rural Revitalization]
- Deliver the Agricultural New Generation Co-operatives program to enhance Saskatchewan's rural economy and to assist farmers in benefiting from the returns of value-added activity [Agriculture, Food and Rural Revitalization]
- Build markets for the agriculture and food sector by ensuring proper trade rules and promoting our products both domestically and internationally [Agriculture, Food and Rural Revitalization]
- Provide technology transfer and skill development for producers and their families, including specialist and technical expertise through extension services, financial advice and assistance in developing business plans, and

information and counseling services to deal with the stresses of the industry [Agriculture, Food and Rural Revitalization]

- Provide approximately \$240 million per year in tax exemptions and rebates for farm input costs, including the Provincial Sales Tax (PST) exemption for major farm inputs, the PST rebate for livestock and horticultural facilities, and the fuel tax exemption for farm activities [Finance]

Strengthen the Northern Economy

The people of northern Saskatchewan will possess the means to address the goals and aspirations they have for their communities, their families and themselves. With respect for northern people, their cultures and traditions, Government will work as an active partner with communities, Aboriginal authorities, business and industry to promote the social and economic development of the north.

[Northern Strategy vision statement]

Saskatchewan's north is rich in culture, history and resources. The Northern Administration District makes up about half of Saskatchewan's total area (about 320,000 square kilometres) and includes a variety of distinct regions based on geography, resource base, population and history. The population of the north is approximately 36,000 people, with about 81 per cent of Aboriginal ancestry – Cree, Dene and Métis.

The geographic size of northern Saskatchewan, its rich resource base and small population presents

northerners with challenges and opportunities. Key to the future economic and social success of the north is its young population – 54 per cent of residents are under the age of 25, compared to 37 per cent provincially.

Our framework for development is the Northern Strategy (www.northern.gov.sk.ca/default.html), a comprehensive statement of agreed upon goals and objectives for the further social, economic and political development in the north. The Strategy is the product of the Premier's Dialogue with Northern Leaders that started in 1997 and culminated with the signing of a Memorandum of Understanding in 1998 between the Province, the Meadow Lake Tribal Council, the Prince Albert Grand Council, the Métis Nation of Saskatchewan, the Saskatchewan Association of Northern Communities (New North), and the three Athabasca Basin First Nations.

The 2003-04 action plan was shaped, in part, by the Northern Dialogue Tour led by Premier Calvert in September 2002. The following section identifies our intended outcomes and some key initiatives planned for the upcoming year to work in partnership with northern communities, Aboriginal authorities and businesses in support of northern social and economic development.

Action Plan for 2003-04

- Over the next five years, allocate \$20 million in provincial and federal funds to support economic development and infrastructure in the north through the new Northern Development Agreement, signed in La Ronge in October 2002 by provincial, federal and

northern representatives. Under the Agreement, the Governments of Canada and Saskatchewan will each provide \$10 million over the next five years [Northern Affairs]

- In 2003-04, work with the Northern Development Board and federal government will focus on identifying priority areas for investment and specific project eligibility criteria, in anticipation of an approximate \$2.5 million provincial investment of Agreement funding [Northern Affairs]
- Create or maintain an estimated 135 jobs through the \$2.5 million Northern Development Fund by providing commercial loans to businesses, and primary production loans to trappers, commercial fishers and wild rice growers [Northern Affairs]
- Lead the completion of immediate site safety improvement activities at the abandoned Gunnar uranium mine site and undertake project scoping work in anticipation of a commitment of federal funding for the clean-up of all abandoned uranium mine sites in northern Saskatchewan [Northern Affairs; Environment]
- Provide ongoing technical advisory and financial support to new northern commercial forest sector partners, including Northwest Communities Wood Products [Industry and Resources], La Loche Wood Products and Green Lake Métis Wood Products [Northern Affairs]
- Redesign Regional Development Organizations to lead regional development planning and decision-making across the north [Northern Affairs]
- Support the development of a \$3.5 million Saskatchewan-based fish processing plant creating 30 new direct jobs, and complete two remaining lakeside fish handling improvement projects [Northern Affairs]

- Improve the northern transportation system to strengthen economic development and better meet the needs of northern residents:

- ~ Continue upgrading 40 km of access roads to four northern communities (Dillon, Timber Bay, Montreal Lake and Cumberland House)
- ~ Invest over \$31 million to preserve, operate and improve provincial highways, airports and bridges in northern Saskatchewan
- ~ Lengthen the runway and improve the surface and lighting at the La Loche airport [Highways and Transportation]

In addition to its transportation investment, Saskatchewan Highways and Transportation continues to work with northern groups and communities to enhance employment opportunities for northern residents.

- Through the Northern Labour Market Committee, work with other departments, northern partners and industry to continue to support skills and training opportunities in forestry and mineral sectors [Northern Affairs; Learning]
- Through Northern Saskatchewan Environmental Quality Committee (EQC) mine site inspections, strengthen public confidence in northern uranium mines' environmental protection and worker safety measures. Secure northern communities' input on the further development of decommissioning and reclamation plans for Cogema's Cluff Lake mine, as well as some 42 abandoned uranium mines, plus implementation of Cameco's Key Lake recyclable products project [Northern Affairs]
- Strengthen communications with the 31 member communities of the EQC regarding the development and ongoing operation and regulation of northern Saskatchewan's uranium mines [Northern Affairs]

- Encourage more mineral exploration and development (with related jobs for northerners and particularly youth) through the Saskatchewan Mineral Exploration Incentive Program, announced in September 2002. The mining sector is the largest employer in northern Saskatchewan (at about 1,600 jobs) and creates many more jobs in the transportation and northern services sectors [Industry and Resources]
- Investigate, through the Northern Labour Market Committee, potential negotiation of a third, five-year mineral sector Multi-Party Training Plan with federal, industry and northern Aboriginal partners [co-chaired by Northern Affairs, Learning and Community Resources and Employment]
- Administer 14 mineral surface leases for northern mining projects in a continued effort to increase the existing 50.3 per cent northerner employment rate on sites and northerners' \$85 million (53 per cent) share of contract and goods and services supply opportunities tied to these operations [Northern Affairs]
- Continue to lead the development, with northern partners, of a Non-Timber Forest Products Strategy, including the development of workshops and pilot projects that increase northerners' awareness of the commercial values of such non-timber forest products as wild edibles (e.g., mushrooms, berries, fiddleheads) and forest materials for the floral and craft industries (e.g., birch bark sleeves, conks, mosses, balsam wreaths) [Northern Affairs]
- Complete development of a northern tourism strategy and implement area tourism planning models in three pilot communities [Northern Affairs]

Strong and Vibrant Communities

Within our vision of a wide open future for Saskatchewan, our government believes that secure families and vibrant communities are fundamental to the well being of our people and our province.

[2003 Throne Speech]

Government is working to build strong and vibrant Saskatchewan communities in partnership with other governments, First Nations and Métis people, businesses and community organizations and young people. We all share in the responsibilities and the opportunities to renew and revitalize Saskatchewan's urban, rural and northern communities.

Two years ago, Government embarked on a dialogue with Saskatchewan communities to hear not only concerns, but also innovative local ideas on issues such as health, housing, farming, transportation and improving social and economic structures. The priorities of people in communities across Saskatchewan are reflected in the following plans and actions for the coming year.

Revitalizing Rural Communities

Action Committee on the Rural Economy (ACRE) Vision Statement

Rural Saskatchewan – proud communities that welcome and embrace change. Working together as responsible stewards of the environment, we have healthy and diverse rural communities where people of all ages choose to live and work. A network of successful farms, communities and business enterprises is the foundation of our strong rural economy. We offer a competitive business environment that ensures our continued prosperity.

[Final ACRE Report, March 2002]

Rural Saskatchewan faces many challenges, including pressures on farm income due to periodic droughts and international trade subsidies, the need to attract economic development and jobs and the changing structure of rural communities. But there are also numerous opportunities, as demonstrated by the success stories of Saskatchewan's many rural entrepreneurs. Building the rural economy will come from increased diversification, a more competitive business environment and a greater focus on innovation and technology.

First Nations and Métis communities have identified the need to become involved in building the rural economy. The number and size of successful businesses owned by First Nations and Métis people are increasing and are major contributors to the rural and overall provincial

economy. Two Aboriginal-owned businesses located in rural Saskatchewan (NorSask forest products and Kitsaki Development Corporation) were listed in the top 150 Saskatchewan businesses in 2001.

Government recently released *A Strategy for Rural Saskatchewan: Responding to ACRE*, which outlines the framework of goals, priorities and actions that will guide our efforts to build the rural economy. But success cannot be achieved by Government alone – we are committed to working with individuals, businesses, co-operatives and communities, because fundamental change must also come from within rural Saskatchewan.

The focus of our rural development strategy is to create a competitive business environment, provide sustainable and effective public infrastructure and support strong and healthy communities. Through the rural strategy, we have already produced many positive results that will help to revitalize rural communities:

- Legislative changes to *The Saskatchewan Farm Security Act* which changed farmland ownership restrictions
- Introducing lower royalty and production tax structures on production from new oil and gas wells to increase economic activity in rural communities
- Ability to process more of the feed grain we produce by encouraging the production of ethanol-blended fuel and offering a grant of 15 cents per litre to fuel distributors for ethanol produced and consumed in Saskatchewan
- Expanding the organic sector by funding a \$500,000 partnership to provide support for organic certification
- Financial support to the Saskatchewan Veterinary Medical Association to develop a mentorship program to increase the number of rural veterinarians

Action Plan for 2003-04

ACRE has stated that reversing the trend in rural Saskatchewan will not happen overnight as the decline has been going on for the past 50 years. Government's rural development strategy is a long-term plan for sustained growth and prosperity. The lead agency for the strategy is Saskatchewan Agriculture, Food and Rural Revitalization, with participation from a broad range of departments and agencies working together. During 2003-04 we will:

- Work with key tourism stakeholders to examine mechanisms for enhanced development and marketing of tourism in rural Saskatchewan
- Enhance the Livestock Loan Guarantee Program to allow for the provision of guarantees directly to individual feedlot operations
- Establish a feedlot facilities equity investment program to encourage participation in the feedlot sector by members of community associations and commercial lenders
- Establish a Rural Leadership Development Program that will give people the information and skills required to implement new development projects and programs in their communities
- Host a second Rural Economic Opportunities Conference

- Expand the mandate of ACRE to monitor implementation of the rural strategy and to recommend new initiatives during the next two years
- Support the province's eight regional colleges to provide over 30,000 education and training opportunities to rural and northern Saskatchewan residents, and support the K-12 schools in providing credit courses for secondary students via distance education
- Expand CommunityNet to 366 communities across Saskatchewan
- Provide SaskTel digital cellular service access to over 94 per cent of Saskatchewan's population

A Clean and Healthy Environment

Saskatchewan is blessed with an abundance of natural resources and a clean and healthy environment. Our current and long-term prosperity depends on the proper protection, development and management of our environment and natural resources. Saskatchewan Environment works with other departments and many partners to ensure our resources and environment are properly protected, developed and managed for long-term sustainability. In particular, the department works in partnership with both the Federation of Saskatchewan Indian Nations and the Métis Nation of Saskatchewan on a range of renewable resource issues and projects including allocation, land use planning and resource protection.

People are changing their attitudes and behavior as they realize that the health of the environment is a responsibility shared by all. Historically, there was little concern for the environment, and the results of this abuse are still evident. There are opportunities to do better in the future by working to understand the results of stresses to the environment, developing standard measures or indicators to track these stresses and developing effective programs to mitigate impacts to assure a sustainable future.

[Saskatchewan's State of the Environment Report, 2001]

Information on the current state of Saskatchewan's environment will be released in April 2003 in a State of the Environment Report. While Saskatchewan's overall environmental quality is good, we do face some challenges:

- Work still remains in addressing issues such as contaminants in ground water, minimizing the effects of municipal wastewater discharges and the management of nutrients and organics in our shallow surface water supplies
- Continued effort is required to maintain the quality of our air. Additional monitoring and collaboration with other agencies will be required to enable a full assessment of rural air quality
- Further enhancement of progress on waste minimization remains a challenge, as does the clean up of contaminated sites. Collaboration with the federal government on the clean up of abandoned uranium mine sites remains a priority

Action Plan for 2003-04

- Expand air quality monitoring to Swift Current and Prince Albert and develop a public information/warning system based on air pollution levels [Environment]
- Apply a water quality index to seven major water basins in Saskatchewan to gauge aquatic protection [Environment]
- Continue development of regional waste authorities. Over \$1.6 million has been made available over the past three years to assist with developing six regional waste authorities; as a result, 88 municipal landfills have been closed. Regional waste systems will be able to apply for funding again in 2003-04, as \$575,000 will be available through the Centenary Fund [Environment]
- Under the Centenary Fund, \$2.15 million has been spent on remediating high-risk industrial sites over the past three years. Remediation is complete at three sites (Shragge Steel in Regina, IPCO Herbicide Plant in the RM of Corman Park and NWR Salvage in the RM of Vanscoy). We expect that the remaining three high-risk contaminated sites (Woodland Campus in Prince Albert, Inland Steel in Saskatoon and Northern Petroleum Refinery in Kamsack) will be completed in 2003-04. Also, more than 400 orphaned petroleum storage sites identified by municipalities have been assessed, and 70 sites have been cleaned up through the Centenary Fund. Approximately 30 more orphaned petroleum storage sites will be cleaned up in 2003-04 [Environment]
- Launch an enhanced fire prevention public relations campaign to reduce the number of forest fires and the damage they cause, continue to deliver effective, cost-efficient wildland fire

management and maintain an effective forest fire fighting capacity to protect provincial resources and communities [Environment]

- Support energy conservation and efficiency initiatives by the Office of Energy Conservation and seek funding from the Government of Canada to implement a variety of measures [Environment; Industry and Resources]
- Continue to support climate change research, awareness and technology initiatives by the Petroleum Technology Research Centre, Climate Change Saskatchewan, International Test Centre for Carbon Dioxide Capture and Prairie Adaptation Research Collaborative [Environment; Industry and Resources]
- Support the sustainable management of forest resources, including forest inventory and forest health monitoring, at a cost of over \$3 million. An expanded forest inventory will allow the province to determine opportunities for new forest industries based on the long-term sustainable harvest of forest resources on provincial Crown lands. Forest health monitoring carried out by Saskatchewan Environment in co-operation with forest industries allows Government and industry to monitor the ecological health of the forest and the effects of harvesting activities [Environment]
- Saskatchewan's Biodiversity Action Plan, to be released later this year, will focus on ways to improve biodiversity conservation in the province [Environment]
- Continue to work towards completion of Representative Area Networks to ensure that the province's terrestrial and aquatic ecosystems persist into the future. Completion of the designation process will result in a network of sites protecting some 6.5 million hectares or approximately 10 per cent of the province [Environment]

- Work with First Nations to develop protocols to enforce environmental laws on reserves [Environment]
- Continue support for converting marginal crop land to perennial forage cover to promote soil conservation, greenhouse gas sequestration and wildlife habitat improvement [Agriculture, Food and Rural Revitalization; Environment]
- Continue to implement measures to reduce energy usage in provincial government buildings; our target is to reduce energy usage by 20 per cent in 70 of the Saskatchewan Property Management Corporation's largest facilities by April 2005 [Saskatchewan Property Management Corporation]

Safe Drinking Water

While the vast majority of Saskatchewan people have access to safe drinking water, some communities have problems with their water quality. Following the release of the Report of the Commission of Inquiry into Drinking Water Safety in North Battleford in March 2002, the Government of Saskatchewan accepted all recommendations directed to the Province and released a comprehensive, Long-Term Safe Drinking Water Strategy (www.se.gov.sk.ca/environment/protection/water/water.asp).

The Long-Term Safe Drinking Water Strategy is a key cross-government initiative led by Saskatchewan Environment (including the Saskatchewan Watershed Authority) and involving the Departments of Health, Government Relations and Aboriginal Affairs and Agriculture, Food and Rural Revitalization.

Action Plan for 2003-04

- 19 multi-year water and sewer projects have already been approved for \$10.1 million of federal and provincial funding under the Canada-Saskatchewan Infrastructure Program (CSIP). Projects include the Lumsden water treatment plant, the Maidstone well pipeline and water treatment upgrade and a new sewage lagoon and effluent irrigation system in Fort Qu'Appelle. Also, under the Northern Water and Sewer Program, \$4.9 million will be spent on 24 projects for 18 communities. Further projects will be approved for 2003-04 CSIP funding in the near future
- Through the Municipal Financing Corporation, municipalities can access financing to upgrade waterworks or related infrastructure
- Repair and upgrade 16 water control structures throughout the province, and undertake inspections and preparatory work for a further eight projects at a cost of \$3.7 million through the Saskatchewan Watershed Authority. These structures are an essential means of managing our water resources and ensuring water supply to all Saskatchewan residents. The largest project is the completion of Phase 2 rehabilitation of the Avonlea Dam, strengthening the dam and improving public safety downstream
- Increase the number of certified operators at provincially regulated waterworks and wastewater works to reach 475 certified operators by the end of 2003-04 and begin to implement continuing education requirements for waterworks operators
- Implement new, legally enforceable standards for bacteriological testing
- Employ "Guidelines for Canadian Drinking Water Quality" as conditions for waterworks licences

- Increase levels of monitoring, inspection and testing for provincially regulated water systems to a level of two inspections per year at all surface water systems and groundwater systems serving more than 500 people. All other waterworks and wastewater works will be inspected once each year
- Implement requirements for waterworks upset reporting (for incidents such as equipment failures or operational problems affecting water quality) and reporting of low disinfectant levels to provide for greater consumer safety
- Deliver the first annual State of Drinking Water Quality report
- Undertake watershed stewardship activities for key watersheds
- Develop the Saskatchewan Water Information Management system to give citizens access to reliable information about the quality and value of their drinking water, and the operations that produce it
- Establish regulations that will require municipalities to put in place rate and capital investment policies for their water utilities by January 1, 2005 and to publicly report on these policies by July 1, 2005
- Undertake consultations regarding amendments to *The Planning and Development Act, 1983* to ensure that:
 - All subdivision application approvals are issued subject to the protection of and adequate provision of quality drinking water for the residents of the development
 - All municipalities have in place zoning bylaws that address watershed protection plans to protect their drinking water supplies by 2007

Strengthen Community Infrastructure

Up-to-date, reliable and competitive public infrastructure is essential to continued economic growth and social prosperity for Saskatchewan. Sound public investments in roads, buildings and municipal infrastructure can serve as a catalyst to private investment and help communities and people to stay connected. A modern and competitive infrastructure attracts investment that creates jobs and promotes economic and social prosperity in a growing and thriving province.

Changes in the rural economy, including elevator consolidation and branch line abandonment, have significantly increased the amount of grain transported by truck on rural highways that were not originally designed to carry heavy truck traffic. Expansion in the oil industry and diversification of the northern economy are key drivers of our economic growth, but the added traffic increases pressure on our highway system. With three per cent of Canada's population and 20 per cent of Canada's roads, Saskatchewan has more than twice as many roads per capita as any other province. Saskatchewan's geography, combined with federal policy changes that have transferred an enormous amount of freight onto the roads from the rail system, creates significant challenges on rural roads. The province's multi-year highway improvement program is addressing these challenges and producing results.

Three key initiatives provide financial support to urban, rural and northern communities for transportation and water and sewer infrastructure:

- Municipal Revenue Sharing Grants – unconditional operating assistance is provided to all municipalities in the province. In addition, conditional grants are provided to rural municipalities for heavy-haul high-volume road construction, bridges and traffic counting
- The Canada-Saskatchewan Infrastructure Program – announced in 2000, \$170 million will be spent over five years to develop, renew and enhance infrastructure in Saskatchewan communities. The first priority under the program is green municipal infrastructure, such as water and wastewater projects. Local economies will benefit from the creation of 6,000 seasonal jobs. In the past two years, the provincial government has contributed to 233 local projects at a cost of \$32 million
- The Centenary Fund – the 2000-01 Budget announced a multi-year investment in core infrastructure in six key areas:
 - ~ K-12 school capital and information technology projects
 - ~ University, Saskatchewan Institute of Applied Science and Technology (SIAST) and regional college capital
 - ~ Municipal infrastructure
 - ~ Heritage properties and parks
 - ~ Highways, rural roads and environmental clean-up projects
 - ~ Social housing

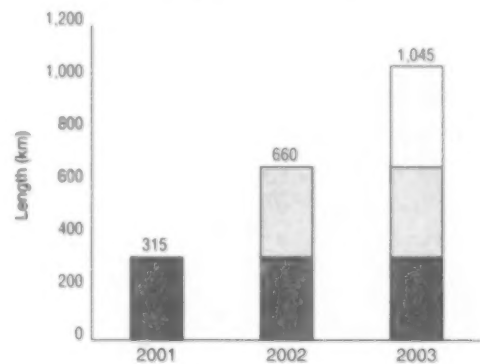
Action Plan for 2003-04

- To meet the demands of a growing economy, over 750 km of provincial highways will be improved, including:
 - ~ Reconstruct 11 km of Highway 55, 15 km of Highway 26 and surface 34 km of Highway 155 to accommodate increased haul in the forestry industry

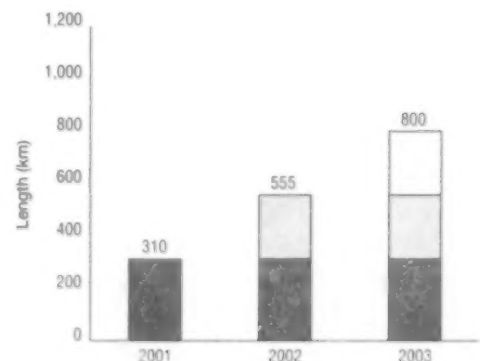
- ~ Repair 70 bridges and replace over 25 bridges or structures on the provincial highway system
- ~ Resurface approximately 275 km of the principal highway system and 110 km of the regional network
- ~ Meet our March 2001 commitment to upgrade 800 km of TMS roads over three years

[Highways and Transportation]

Provincial Highway Resurfacing



TMS Improvements



- Work in partnership with local governments, area transportation planning committees, producers and industry to develop a safe, sustainable and efficient transportation system:
 - ~ Continue partnering on 21 initiatives with 42 different partners to manage traffic on over 500 km of low-volume provincial highways
 - ~ In 2003, revenue from trucking partnership agreements with industrial partners will provide an additional \$2.85 million of transportation investment
[Highways and Transportation]
- Increase total revenue sharing grants to municipalities by \$10 million, providing municipalities with additional unconditional funding to address local priorities. An additional \$10 million will be provided in 2004-05
[Government Relations and Aboriginal Affairs]
- CSIP will provide \$22 million of federal and provincial infrastructure funding. Twenty-seven multi-year water and sewer, solid waste, energy efficiency and local transportation projects for \$14.5 million have already been approved for 2003-04 funding and are under development. The remaining CSIP funding for 2003-04 will be allocated to new projects in the near future
[Government Relations and Aboriginal Affairs]
- Under the Centenary Fund, \$4.1 million of municipal infrastructure funding will be provided for 24 projects. Under this program, funding has been provided for transit vehicles for people with disabilities, fire halls and emergency buildings, a police station and regional landfills. For 2003-04, funding will be provided for additional transit vehicles, heritage properties, community buildings, parks, trails and playgrounds. Also, \$1.2 million will be provided to Western Development Museums, Government House and other government heritage properties
[Government Relations and Aboriginal Affairs]
- Funding will be provided through the Centenary Fund for several new and ongoing projects of benefit to northern communities, including:
 - ~ Affordable housing initiatives, specifically the construction of 92 new units between 2003 and 2006 [Community Resources and Employment]
 - ~ Upgrades to Cumberland House Historic Park [Environment]
 - ~ Canoe route/portage upgrades in Lac la Ronge Provincial Park [Environment]
- Funding will be provided for various northern capital projects:
 - ~ Funding for the new St. Joseph's Hospital in Ile-à-la-Crosse [Health]
 - ~ Funding for the new Ile-à-la-Crosse school [Learning]
 - ~ Continued funding for Northern Water and Sewer through the Centenary Fund, CSIP and the Northern Revenue Sharing Trust Account for water projects in Air Ronge, Bear Creek, Beauval, Brabant Lake, Buffalo Narrows, Creighton, Cumberland House, Ile-à-la-Crosse, La Ronge, Sled Lake, St. Georges Hill, Stony Rapids, Timber Bay, Turnor Lake and Uranium City and for wastewater projects in Denare Beach and Pinehouse [Government Relations and Aboriginal Affairs]
- Upgrade 36 government buildings in 16 communities, including roof replacement and enhanced accessibility at Kelsey Campus in Saskatoon, roof replacement at SIAST Woodlands Campus in Prince Albert, a new elevator and improved accessibility at the Moose Jaw Court House and improved accessibility at the Regina Court House [Saskatchewan Property Management Corporation]

- Provide state-of-the-art communications support for education, health care and Government services to 366 communities through CommunityNet. CommunityNet will be complete by the fall of 2003, seven months ahead of the targeted completion date. When fully implemented, CommunityNet will be available in:
 - ~ 881 schools and education offices (including 86 First Nations schools)
 - ~ 39 regional colleges, offices and learning centres
 - ~ 310 health facilities
 - ~ 162 public libraries
 - ~ 256 government offices
 [Information Technology Office]
- CommunityNet is making it possible for SaskTel to expand its commercial high-speed Internet service to residences and businesses more quickly than it originally planned. Service will be extended this year, bringing the total to 237 communities. This rapid expansion will see high-speed Internet being available to residents in communities as small as several hundred people, making Saskatchewan the most connected province in Canada. This expansion will allow Saskatchewan businesses to better compete in the global marketplace by opening doors for the sale of locally-manufactured goods and services to millions of potential customers throughout the world [SaskTel]

Safe Communities

Generally, Saskatchewan residents are as safe as residents of other provinces. However, this does not hold true for all population groups and communities. Our poorest communities –

predominantly inner-city, on-reserve and in the north – experience the most crime. In response, Saskatchewan Justice and Saskatchewan Corrections and Public Safety are using targeted, integrated approaches and continue to work with communities to develop appropriate responses. Programs and policies are assessed and developed to effectively combat crime and rehabilitate offenders. In particular, we are working with Aboriginal organizations, communities and individuals to adapt the criminal justice system so that it meets their needs for safety and security.

Canadians are increasingly concerned about the overall risks to security and safety. The Province has shared responsibility in many of the areas related to public safety and security. While Saskatchewan in general is at relatively low risk as a target for terrorist activities, we have recently experienced natural disasters that have challenged the abilities of municipalities, the provincial government and the federal government to respond (e.g., flooding in 2000, forest fires and wildfires in 2002). A key question has become: "What level of response is appropriate at the local, regional, provincial and national levels?"

There are also important changes in technology, the marketplace and the global economy. Another challenge is the development of an effective regulatory framework, reflecting current best practices, technology and safety/security requirements in a way that balances risks and responsibilities more equitably between Government, the business community and individuals.

Government responsibilities for public safety were reorganized in March 2002 with the creation of the new Department of Corrections and Public Safety, which brings together adult and youth corrections, protection and emergency services, and licensing and inspections. Saskatchewan Justice retains responsibility for victim's services, policing, court administration, prosecution, and legal aid.

Action Plan for 2003-04

- Saskatchewan Corrections and Public Safety will promote safe communities by:
 - ~ Supervising approximately 1,250 adult offenders in custody and 5,660 in the community
 - ~ Supervising approximately 330 young offenders in custody and 2,500 in the community
 - ~ Inspecting about 8,000 to 10,000 boilers and pressure vessels, 200 to 220 amusement rides and 2,000 to 2,400 elevating devices
- Fund 10 new police positions this year to support targeted approaches to reducing crime [Justice]
- Continue targeted crime prevention and community policing programs, including the Serious and Habitual Offenders Comprehensive Action Plan and support for serious crime units [Corrections and Public Safety; Justice]
- Continue support for community justice programs that facilitate a variety of services to 67 of Saskatchewan's 72 First Nations, including crime prevention, community development and public education, support services for victims and offenders, alternative measures and supervision of low risk offenders [Justice]
- Extend the Sask911 service to Lloydminster and northern communities this year, completing implementation to all but the most remote communities in the province [Corrections and Public Safety]
- Implement Phase 2 of the Regina Auto Theft Strategy, with a targeted reduction of auto thefts by 10 per cent in 2003 over 2002. Auto theft in Regina has decreased by 37 per cent since the program was implemented in February 2002 [Corrections and Public Safety; Justice]
- Expand integrated urban crime response programs to North Battleford and Saskatoon [Corrections and Public Safety; Justice]
- Develop an action plan to address the recommendations outlined in the report of the Office of the Ombudsman, including a plan to replace the Regina Correctional Centre [Corrections and Public Safety; Justice]
- Continue dialogue with the Commission of First Nations and Métis People and Justice Reform [Corrections and Public Safety; Justice]
- Establish an Elders Advisory Committee to the Departments of Justice and Corrections and Public Safety on program and policy issues [Corrections and Public Safety; Justice]
- Coordinate the implementation of a comprehensive provincial government public emergency and security plan [Corrections and Public Safety]
- Implement a fire prevention and suppression strategy for communities in the forest fringe areas [Corrections and Public Safety; Environment]

Healthy and Self-Reliant Families

Saskatchewan's Early Childhood Development Strategy provides the foundation for achieving our goal of healthy and self-reliant families by supporting the growth and development of our most vulnerable children. Today, across the province, more children and their families are benefiting from a variety of important public services, including better child care facilities, nutritional lunch programs, community education initiatives, opportunities to help families become more independent and quality health services.

The following sections identify some key initiatives planned over the next year to support the development of healthy and self-reliant families.

Ensure All Children Have the Best Possible Start in Life

The formative years of childhood are crucial to achieving our potential as adults.

[2003 Throne Speech]

Saskatchewan's Early Childhood Development Strategy (www.sasked.gov.sk.ca/echild/index.html) is a comprehensive, long-term plan that builds on existing early childhood development programs to ensure that children prenatal to age five have the best possible start in life. The KidsFirst program supports the healthy growth and development of our most vulnerable children by providing intensive support to families in communities across the province where the need is greatest – that is, where the greatest concentration of

vulnerable families exists. This is accomplished through innovative partnerships among families, communities, community organizations, schools, health authorities, Aboriginal organizations and governments.

The nine targeted communities that receive KidsFirst funding include: the north, Nipawin, Meadow Lake, Prince Albert, North Battleford, Yorkton, Regina, Saskatoon and Moose Jaw. All other communities will benefit from better integration of existing services. Community developers located in other areas across the province will ensure that families in need get connected to resources in their communities.

The Early Childhood Development Strategy is a key cross-government initiative involving the Departments of Learning, Health, Community Resources and Employment, and Government Relations and Aboriginal Affairs.

Action Plan for 2003-04

- In-hospital screening of new births to identify families in need of support:
 - ~ 95 per cent of births in targeted communities will be screened
 - ~ 90 per cent of all Saskatchewan births will be screened, an increase of 10 per cent from 2002-03
- Early childhood development services will be provided to 340 new post-natal mothers and their families for a total of 763 post-natal families
- Enhanced provision of mental health and addictions counseling services (a further eight full-time equivalents will be funded in 2003-04 for a total of 21)

- As of the end of September 2002, seven of the nine targeted communities had created 72 new child care spaces; by the end of March 2003, a further 78 spaces are expected to be created for a total of 150 in 2002-03. In 2003-04, the number of child care spaces will increase by 80 for a combined total of 230 new child care spaces in targeted communities
- As of the end of September 2002, five of the nine targeted communities had expanded existing early learning programs, resulting in the development of 55 new early learning spaces; by the end of March 2003, a further 65 spaces are expected to be created for a total of 120 in 2002-03. In 2003-04, the number of early learning spaces will increase by 40 for a combined total of 160 new early learning spaces in targeted communities
- Community developers have been hired in other areas across the province to ensure that families in need get connected to resources in their communities

Children are Ready to Learn and Schools are Ready for Children

Schools face both challenges and opportunities in meeting the needs of learners, including a high number of vulnerable children and youth and increasing numbers of learners of all ages with diverse and special needs that may require more costly accommodations or supports to participate and achieve positive outcomes.

As our children reach school age, our government responds by supporting programs for Kindergarten to Grade 12. Additional support is provided for at-risk and special needs students.

[2003 Throne Speech]

Community-based approaches to educating our children are working to address these challenges and opportunities. Community schools, first launched in Saskatchewan in 1980, help ensure that all children, regardless of their individual social and economic circumstances, receive a quality education. Community schools draw on parent and community involvement in the school to help students develop and learn. Preschoolers, students and their families are provided with enhanced programming such as pre-kindergarten, nutrition programs, cultural activities, and adult education and training opportunities. We know that support provided through community schools pays off in long-term benefits.

Since 2000, the number of community schools in Saskatchewan has more than doubled from 41 to 88 and expanded to include secondary and rural schools.

Building on the experience of community schools and the innovation of Saskatchewan educators, the Role of the School Task Force developed the School^{Plus} concept. School^{Plus} will integrate education and human services to ensure that our schools are able to respond to the particular needs of each community and all of our students.

Government is working in collaboration with other human service providers and community agencies through the Saskatchewan Council on Children and Youth to implement School^{Plus}, to make schools the centres of learning and community support for children and families. School^{Plus} is a key priority for this government – as the ability of schools to meet the developmental and learning needs of children and youth increases, we can expect more young people to succeed in school.

Action Plan for 2003-04

- Extend pre-kindergarten through 100 programs in 42 communities, from 85 pre-kindergarten programs in 31 communities [Learning]
- Field test effective practices toward School^{Plus} implementation in 21 school divisions across the province. This will involve consultation with school communities to identify current strengths and areas for enhancement in both the learning program and supports for learning [Learning; Community Resources and Employment; Health; Justice; Culture, Youth and Recreation; and Government Relations and Aboriginal Affairs]
- Support Aboriginal curriculum initiatives, including the revision of the Native Studies 20 course and development of Cree and Dene 10, 20 and 30 [Learning]
- Provide funding to improve library services for Aboriginal people and to ensure universal access to library services for all residents [Learning]
- Increase the Foundation Operating Grant to fully cover teachers' collective agreement costs for 2003 [Learning]
- Financial incentives will be used to encourage the amalgamation of several K-12 school divisions, resulting in an estimated 25 per cent reduction in the number of school divisions in

the province (from 99 to 75) by the fall of 2003 and enabling a full range of services to students in each division [Learning]

- Over the next two years, \$32.8 million will be spent on K-12 capital projects [Learning]

Healthy Saskatchewan Families

Good health is fundamental to the quality of life of Saskatchewan families. Saskatchewan's health system serves a population of just over one million people and Government will spend more than \$2.5 billion on health care this year (just over 42 cents of every operating dollar spent). Below are some examples of the number and types of services this funding provides for:

- 4,761,800 visits to family physicians and 920,700 visits to specialists
- Coverage of 77 per cent of the total costs of nursing home care for some 9,000 residents in special-care homes, hospitals and health centres
- 800,000 days of in-patient hospital care
- More than 266,000 radiology services, 125,000 ultrasounds, 53,600 CT scans and more than 10,800 MRI exams
- 1,300,000 tests at the Provincial Lab, in addition to millions more in labs at hospitals and physicians' clinics

Saskatchewan pioneered both publicly administered hospitalization and medicare in North America. Our Government's plan will ensure that quality health care is available to all.

[2003 Throne Speech]

Change will be needed to sustain our health care system. Saskatchewan was one of the first provinces to undertake an in-depth review of how our health services are delivered, resulting in *The Action Plan for Saskatchewan Health Care*. The Action Plan is a blueprint for our health care system to improve and secure quality health care for all Saskatchewan people.

Government is committed to implementing the Action Plan and work has already begun to address key challenges in the system. Some first-year highlights include:

- Establishing 12 new Regional Health Authorities (RHAs) to improve province-wide planning and co-ordination of services
- Creating Canada's first Health Quality Council to develop innovative ways to improve health care quality
- Improving management of surgical waiting lists by establishing the Saskatchewan Surgical Care Network (www.sasksurgery.ca) to develop a province-wide surgical care registry and tools to assess and fairly rank patients for surgery. A website launched earlier this year provides information about access to surgery and expected wait times

Concrete steps are also being taken to create primary health care teams, attract the doctors, nurses and other health providers we need, and improve the delivery of every day health services in communities. The Action Plan will continue to guide our decisions and investments in the health system in the years ahead. Some key initiatives planned for the coming year, to build on the progress already made, are outlined below.

Action Plan for 2003-04

- Over the coming year, the Department of Health, Regional Health Authorities and other key stakeholders will continue implementation of the Action Plan with:
 - ~ Full implementation of a health telephone advice line to enable people to get easier, faster access to important information, 24 hours a day, seven days a week
 - ~ Additional information on other regional sites added to the Saskatchewan Surgical Care Network website as the surgical registry is implemented. Currently, the website provides information about wait times for non-emergent surgery in Regina and Saskatoon
 - ~ Developing primary health care teams in Regional Health Authorities – primary health care teams are expected to be established in all RHAs this year
 - ~ Training Emergency Medical Responders to the Emergency Medical Technician (EMT) level; based on year one of the initiative, review and update training requirements with Regional Health Authorities. The three-year training target for this initiative is 240 EMTs
 - ~ Support for northern health authorities through funding for primary care and prevention initiatives
 - ~ Continued funding for the Health Quality Council
- Regional Health Authorities will receive funding to expand and enhance regional health services, including:
 - ~ More service at existing dialysis sites and two new satellite locations
 - ~ Improved access to specialized medical imaging services such as CT scans and heart vessel examinations

- ~ Expanded capacity of the poison information centre which has proved very valuable since it was introduced in September 2001 [Health]
- \$19 million in funding for medical capital equipment [Health]
- Continued recruitment and retention of health professionals – key initiatives over the coming year include:
 - ~ Funding for return-service bursaries (over 400 bursaries were awarded in 2002-03) and professional development programs
 - ~ Implementing new physician alternate payment agreements
 - ~ Improving working conditions and productivity by designing and implementing injury prevention and return-to-work programs for RHA employees
 - ~ Maintaining 40 opportunities for northern residents to upgrade their math and science skills through the Northern Health Science Access Program
 - ~ Adding 40 seats in the Northern Nursing Education Program, increasing the number of nursing seats for RNs and RPNs to 300 in each year
 - ~ Continuing intake of 60 students per year at the College of Medicine [Health]
- The provincial response to the West Nile Virus will include public education, surveillance to track the disease in birds, mosquitoes, horses and people, and mosquito control programs. Assistance will be provided to municipalities to increase mosquito control in those areas where the spread of the West Nile Virus is most likely to occur [Health]

- Funding for construction on the Fort Qu'Appelle First Nations Hospital, the Weyburn Regional Care Centre, the Yorkton Long-Term Care Centre and the Melfort Regional Care Centre and a new hospital in Ile-à-la-Crosse [Health]

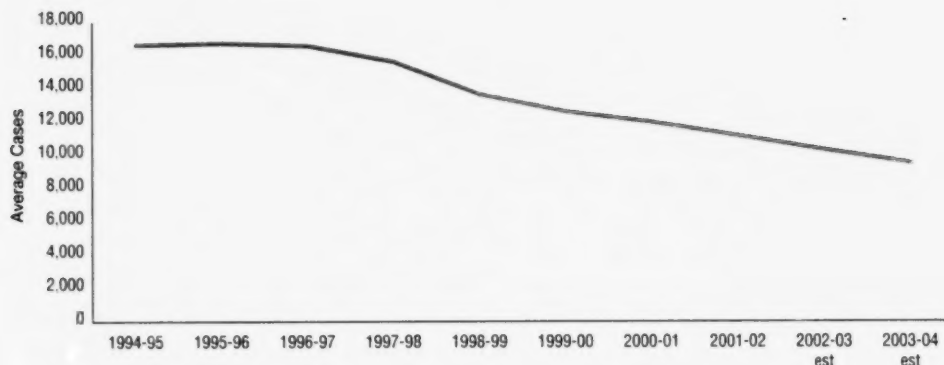
Families Have Opportunities to Work and Play

During the past several years, the social services system in Saskatchewan has changed its emphasis from that of a traditional welfare agency to one that promotes independence through a variety of supports for families and individuals.

[2003 Throne Speech]

We have long been committed to helping vulnerable families and individuals build independence and improve their quality of life. Saskatchewan's Building Independence program continues to reduce the number of families with children reliant on social assistance by supporting their participation in the workforce and economy. Since its introduction in 1997, Building Independence has helped more than 6,000 families – including more than 13,000 children – leave social assistance by eliminating barriers to employment. Reforms have proven highly effective. Family welfare dependency has declined by almost 40 per cent from 1996 to 2002.

Social Assistance Caseload Trend Families with Children



Reducing welfare means two things. First and foremost, when people have the opportunity to participate in the workforce, they are better able to provide for themselves and their families. Secondly, the reduction in caseloads results in substantial cost savings to government.

Safe and affordable housing contributes to secure, well-functioning families. The Saskatchewan Housing Corporation provides housing to approximately 8,000 families. In addition, the province's Centenary Affordable Housing Program (CAHP), also administered by the Saskatchewan Housing Corporation, was launched last year with construction of 124 units for seniors and northern families. This program is cost-shared between the Province and Canada Mortgage and Housing Corporation (CMHC). CAHP will receive a total of \$45.86 million over five years from the Saskatchewan Housing Corporation, CMHC, municipalities and other sources. Over the five-year period of the program, the funding is expected to generate up to

\$135 million in new construction, up to 1,500 new affordable housing units, and up to 1,400 person years of employment in the construction industry. Funding will be targeted to home ownership, inner city renewal and affordable rental.

We are seeing the direct results of these initiatives. The incidence of poverty in Saskatchewan has declined since the mid-1990s. Child poverty in Saskatchewan, defined by Statistics Canada's After Tax Low Income Cut Offs (LICOs), stood at 18.2 per cent in 1995 and declined to 11.6 per cent in 2000. Child poverty in Saskatchewan is below the national average of 12.5 per cent.

Too often, working people have to choose between the demands of work and family – between doing their jobs and caring for their children or, increasingly, their parents. This juggling act puts severe stress on people and has far-reaching effects.

The Labour Standards Act has been amended to increase job-protected leave for new parents. In addition, federal-provincial labour ministers accepted the recommendations of *Work-Life Balance in Canada: A Report to Ministers Responsible for Labour in Canada*, outlining the effects that changes in family life and the workplace have had on working people and the resulting impact on productivity. Specifically, ministers agreed with the recommendation proposing that jurisdictions implement an incentive or awards program to encourage workable and co-operative ways to increase work-life balance, thereby reducing the negative impact on employees and increasing the bottom line for employers.

Sports, recreation, culture and multicultural initiatives are also important components of family life. Government allocates a portion of the annual lottery profits generated in Saskatchewan to support the activities of urban, rural and northern municipalities, and Aboriginal and voluntary organizations providing programs and services in these areas. In 2002-03, \$26.7 million was allocated to more than 12,000 volunteer, non-profit groups providing sport, culture and recreation programs.

The Community Initiatives Fund, which receives a portion of the profits from casinos in Regina and Moose Jaw, also provides funding to community groups for initiatives of benefit to Saskatchewan families. Since the inception of this Fund in 1997, more than 1,700 community groups have received more than \$12.1 million (as of

March 31, 2003) to support approximately 2,000 programs, including:

- Food banks and school nutrition programs
- Programs for children and youth with physical or mental disabilities
- Sport, culture and recreation programs such as summer camps and summer play programs, youth centre activities, leadership development, and inner city sport and recreation programs
- Prevention and intervention programs dealing with family violence and violence prevention, teen parenting, life skills and sexual assault
- Community/school parenting programs, preschool programs, home and school programs, alternative learning, and summer learning programs

Action Plan for 2003-04

- The demand for social assistance will be further reduced, subject to stable economic conditions, from a monthly average caseload of just under 30,000 in 2002-03 to 27,600 in 2003-04; the total number of people dependent on social assistance is projected to decrease from 54,800 in 2002-03 to 50,800 [Community Resources and Employment]
- The 2003-04 Budget includes \$2 million in new funding for an array of initiatives aimed at providing persons with disabilities with the supports they need to become employed. Saskatchewan Community Resources and Employment is expanding supports to identify realistic workplace options and effective strategies for job maintenance and ongoing independence. \$1 million has been added to provide a \$10 per month increase in the allowance provided through social assistance to people with disabilities. This allowance helps to meet the costs associated with a disability and

to allow those with disabilities to participate more fully in the economic and social life of their communities [Community Resources and Employment]

- Participation in the Saskatchewan Employment Supplement, a program that helps prevent welfare dependency, will increase from an average of 7,900 families in 2002-03 to an average of approximately 8,200 families [Community Resources and Employment]
- On average, approximately 45,000 households comprised of over 105,000 adults and children will benefit from one or more of the government's income security programs each month [Community Resources and Employment]
- Provincial programs will support more than 7,800 spaces in over 450 licensed child care facilities. Day care subsidies will be provided for 3,700 children in 2,700 families [Community Resources and Employment]
- Over the next five years, in partnership with the federal government, the Province will enhance licensed child care. In 2003-04, we will match the federal contribution of \$900,000 to provide a total of \$1.8 million to develop 500 new child care spaces [Community Resources and Employment]
- All families will continue to benefit from the recent personal tax reform. A two-income family of four earning \$50,000 a year will now pay about \$1,500 less income tax in 2003 than it did 10 years ago. The Government's personal tax reform plan is now fully implemented. Commencing in 2004, the personal income tax system will be fully indexed to inflation. This means that the amount of tax payable on a fixed amount of income will decline every year [Finance]
- The Province, through the Saskatchewan Housing Corporation, will make conditional commitments in 2003 to Community Based Organizations (CBOs) for the construction of more than 400 new homes under the Centenary Affordable Housing Program [Community Resources and Employment]
- Continue to pursue co-operative partnerships with different levels of government and local organizations to address the need for more affordable housing and support services for modest-income families. To date, the Province, working in partnership with municipal governments, community development organizations and family homeowner co-operatives, has enabled 209 lower-income families to become homeowners through the Neighbourhood Home Ownership Program. In 2003-04, the Province will continue to provide funding to more than 60 new families [Community Resources and Employment]
- Help approximately 10,000 families receive maintenance payments and ensure that parents meet their support obligations. Parents will also be helped through a support variation project that will assist them with variation of orders or agreements and provide information about the variation process. The Family Justice Services Division will work to expand the mandatory parent education program to more sites across the province [Justice]
- Government must be responsive when intervention is necessary to support children and families – changes to *The Child and Family Services Act* will be introduced to recognize the importance of kinship care as a first option in these circumstances [Community Resources and Employment]
- Approximately 7,400 families and 23,000 children will receive government services

designed to protect children from harm, including appropriate residential and personal care to children in care of the Minister of Community Resources and Employment and support for at-risk families to prevent further family breakdown. The number of children in care of the Minister of Community Resources and Employment is projected to decrease from 2,938 in 2001-02 to 2,800 by the end of 2003-04 [Community Resources and Employment]

- Develop a response to the federal-provincial recommendation for jurisdictions to implement an incentive or awards program to encourage workable and co-operative ways to increase work-life balance [Labour]
- The Physically Active Saskatchewan strategy will be implemented to reduce the physical inactivity of all age groups, working towards our goal of a 10 per cent reduction in physical inactivity by 2005 [Culture, Youth and Recreation]
- Provincial parks will again benefit from the Centenary Fund. \$1.8 million in developments to provincial and regional parks are planned this year to help ensure the long-term stability of our parks, including nature centre replacement at Duck Mountain Provincial Park, interpretive trails and an amphitheatre at Greenwater Lake Provincial Park, enhancing displays and upgrading facilities at Fort Carleton Historic Park and upgrading various recreation sites across the province [Environment]

- Increase funding to the Wascana Centre Authority, Meewasin Valley Authority, Wakamow Valley Authority and Chinook Parkway by 10 per cent. 2003-04 marks the third year that these four urban parks, as well as three others (North Battleford, Prince Albert and Weyburn), have had access to funding for capital projects from the Centenary Fund (\$500,000 annually) [Environment]
- Grants available through the Community Initiatives Fund will continue to be provided to groups providing services and supports to children and families. Allocations will be significantly increased to support:
 - ~ Community projects to mark the province's Centennial – \$8.5 million over the next three years
 - ~ Projects that encourage increased physical activity – \$5 million over the next three years
 - ~ New recreation opportunities for northern and First Nations communities – \$5.5 million over the next three years
 [Culture, Youth and Recreation]

Opportunities for Youth

Saskatchewan's youth population (aged 15 to 24) represents about 15 per cent of the overall population. Over the last decade, the youth population has increased by just over five per cent. A significant proportion of the youth population is Aboriginal, which presents both a challenge and an opportunity for Saskatchewan's future. A greater proportion of Aboriginal people are currently socially and economically disadvantaged, but this group also offers potential for meeting Saskatchewan's future labour market needs.

The following section identifies some key initiatives planned for the coming year to help prepare our youth for a successful transition into adulthood.

Help Youth to Stay in School and Succeed in Learning

Keeping all students in school until they successfully complete Grade 12 allows for greater opportunities in the world of work and greater potential for success in life.

[Saskatchewan Education
Indicators Report, 2000]

The 2002 youth in transition survey reported that Saskatchewan, at 7.3 per cent, enjoyed the lowest high school dropout rate in the nation, well below the national dropout rate of 12 per cent, a tribute to the hard work, vision and leadership of our educators and their community-based partners.

Saskatchewan Learning reports a trend that sees more students who have left full-time study at high school continue to take classes leading to graduation.

New technologies are shaping the future of our education and training system. Government is providing funding to ensure schools have better access to high-speed Internet and can upgrade infrastructure to ensure in-school Internet connectivity. In addition, support is also being provided for the development of made-in-Saskatchewan educational resources for use on-line and in classrooms.

Campus Saskatchewan

(www.campussaskatchewan.ca) is an example of innovation from the post-secondary sector to increase access to education and training for Saskatchewan residents. Campus Saskatchewan, a partnership of post-secondary institutions, is helping to remove barriers to education and provide the flexibility today's students need. Over 150 courses are in development or are being delivered by the universities and SIAST through Campus Saskatchewan.

Higher education and training are key to the success of our young people participating in the knowledge-based economy.

Action Plan for 2003-04

This Budget contains a significant commitment to support the participation in and completion of high school and post-secondary education and training, including:

- A three per cent increase in operating grants to the universities. More than 30,000 full-time and part-time students attended the Universities of Regina and Saskatchewan last year [Learning]
- A three per cent increase in funding for SIAST and regional colleges to enable them to maintain existing programs and capacity. Regional colleges will provide more than 30,000 university, technical and other education and training opportunities for people in rural and northern Saskatchewan [Learning]
- Increased funding will be provided for the third intake of additional students at the College of Medicine and the continuing nursing expansion [Learning]
- SIAST will provide more than 40,000 on- and off-campus training opportunities with more than 4,000 available through private vocational schools. More than 5,300 apprentices will be registered with the Apprenticeship and Trade Certification Commission and approximately 1,200 other work-based training opportunities will be provided [Learning]
- \$66 million in Saskatchewan Student Loan assistance will be available to help approximately 16,800 students. Over half of this amount (\$36 million or 55 per cent) will be provided as bursaries and/or grants, reducing Saskatchewan student debt levels to among the lowest in the country [Learning]
- Funding to the Student Aid Fund will increase to provide for an increase in the in-study earnings exemption (from \$600 per study period to \$1,700 per 34 week study period) and the scholarship exemption (\$600 per study period to \$1,800) [Learning]
- Funding will also be provided this year for an interest subsidy to enable medical students to obtain an interest-free line of credit to address needs not met by the Student Loan Program [Learning]
- Approximately 4,500 training clients will receive income support through the Provincial Training Allowance. The Apprenticeship Training Allowance will provide income support for a further 1,700 individuals receiving training in the skilled trades [Community Resources and Employment; Learning]
- In total, over 300 new bursaries will be available in a variety of health disciplines which will benefit, in part, our youth. Some of these include: medicine, RN, LPN, RPN, primary care, nurse practitioner, physical therapy, occupational therapy, speech language, clinical psychology, respiratory therapy, emergency medical technician, and public health inspection. In addition, there are approximately 150 continuing bursaries for students in medicine, nursing and a variety of allied health disciplines [Health]
- 23 bursaries for young teachers in specialty training will support them to secure employment with Saskatchewan School Boards that need these specialties [Learning]
- 10 Prince of Wales Scholarships will be awarded this year to encourage Grade 11 students in community schools to complete high school [Learning]
- The Centennial Merit Scholarship Program recognizes high achieving, successful high school students and awards scholarships to provide support for first-year education and training at post-secondary institutions. Approximately 300 scholarships will be awarded this year, bringing the total scholarships awarded under this program to about 950 [Learning]

- Continued implementation of the Mathematics Action Plan through classroom and community-based resources and supports, including workshops for teachers emphasizing the value of linking math to the real world and learning assessments focused on improving teaching and learning [Learning]
- Infant care for teen parents attending high school will be available in 20 schools [Community Resources and Employment]
- Funding will be provided for the development of on-line courses in all subject areas necessary for Grade 12 completion, and 90 on-line post-secondary courses, more than triple the number available in 2000-01 [Learning]
- The partners in Campus Saskatchewan will continue to expand on-line educational opportunities and enhance services to learners, including access to computers and the Internet, counseling and study support [Learning]
- The Public Service Commission, in partnership with the Aboriginal Government Employees Network, will establish an Aboriginal Speakers Bureau to help encourage Aboriginal students to stay in school and consider a career with the public service [Public Service Commission]

Help Youth Make a Successful Transition to the Workforce

Youth employment reached a five-year high in Saskatchewan during 2002 with the youth employment rate (the percentage of youth aged 15 to 24 with a job) at just under 60 per cent.

Saskatchewan's post-secondary graduates are successfully finding employment in the province. The \$350 Saskatchewan Graduate Tax Credit

encourages post-secondary graduates to remain here. Over 28,000 tax credit certificates have been issued up to the end of February 2003. In addition, the recent reform of personal taxes has significantly reduced income taxes, making it more financially attractive for new graduates to stay and work in Saskatchewan.

The net out-migration of our youth is a long-term issue that we must continue to address. In 2002, net out-migration (of youths aged 15 to 24) was 3,651, the highest since 1991. When looking at the motivation of people to move to their current province, a survey of western Canadians (Looking West, 2001) determined that the primary motivator was employment (38.6 per cent).

A number of key initiatives are targeted at creating jobs here in Saskatchewan, so that our youth stay here. Recently, government announced new mining and oil and gas incentive packages to stimulate increased exploration and development activity. This initiative will generate new jobs for Saskatchewan people, including many for youth.

... we want to change the pattern of our young people going to the oil patch. Instead, we want the oil patch to come to our young people.

[Premier Calvert, November 2002]

In addition, the recent increase to the minimum wage, now \$6.65 per hour, helps young people make ends meet with their first jobs.

Action Plan for 2003-04

- Approximately 24,000 individuals, including many youth, will receive services through the Canada-Saskatchewan Career and Employment Services offices. Services range from assistance in preparing a resumé and searching for a job, to developing a career action plan [Community Resources and Employment]
- The Centennial Student Employment Program provides summer and part-time jobs throughout the year for high school and post-secondary students planning to return to school. The jobs relate to the student's chosen field of study and career goals. To date, this program has provided more than 3,000 employment opportunities for students. In 2003-04, this program will provide more than 700 jobs for students planning to return to school [Culture, Youth and Recreation]
- Grants will be provided through the Northern Development Fund to encourage and support northern youth entrepreneurship [Northern Affairs]
- A total of 11 interns are now active in the Aboriginal Management and Professional Internship Program. To date, four interns have secured permanent public sector employment. New interns are being recruited for the fall 2003 intake and interns who are graduating from the program in September are actively pursuing permanent opportunities in the public service [Public Service Commission]
- Help young people prepare for work, by delivering at least 100 awareness and education presentations to young people in high schools, post-secondary education settings, employment centres as well as First Nations and Métis communities, to inform youth about their rights and responsibilities in the workplace [Labour]

- Significantly increase the number of Practical and Applied Arts high school students receiving instruction in the Ready to Work program through its extensive use as a resource in the new Career and Work Exploration curriculum, to be fully implemented by 2004-05 [Learning]

Encourage Youth to Lead Healthy Lifestyles

Government is delivering and supporting programs and services that engage youth in new and innovative ways, helping them to improve their personal health and well-being.

Action Plan for 2003-04

- Engage youth in a dialogue regarding youth retention, leadership, employment, entrepreneurship and community through a newly formed Provincial Youth Advisory Committee [Culture, Youth and Recreation]
- Implement a single-window youth website that will facilitate and enable youth to access information on youth services, build youth resources, networks and supports and facilitate communication between youth with communities, businesses, government and other youth [Culture, Youth and Recreation]
- Continue to assist youth in acquiring leadership skills and gaining access to mentorship opportunities – such as those offered in our multi-sport games programs [Culture, Youth and Recreation]
- Work in partnership with the Crown Investments Corporation to develop the Leaders of Tomorrow initiative that will provide for the designation of one position for youth representation on each subsidiary Crown board [Culture, Youth and Recreation]

- Implement the Physically Active Saskatchewan strategy to reduce physical inactivity in all age groups, including youth. Since 1981, the number of overweight children and youth has tripled, from 10 per cent to 32 per cent [Culture, Youth and Recreation]
- Provide funds through the Community Initiatives Fund that support the implementation of the "In Motion" strategy in schools across the province and contribute to active and healthy living [Culture, Youth and Recreation]
- Support a variety of cessation and public education resource materials for youth, including "Kick the Nic" and "Students Working Against Tobacco (SWAT)" [Health]
- Provide funds to Regional Health Authorities for child and youth mental health services, including support for Community Based Organizations (CBOs) that provide services for youth [Health]

Effective Supports for Youth At Risk

The focus of our efforts for at-risk young people is to provide more effective, integrated support services so that youth faced with significant challenges are able to move towards safer, healthier lifestyles and become contributing members of their families and communities.

Action Plan for 2003-04

- Provide \$2 million annually in grants to communities through the Community Initiatives Fund to develop and/or implement programs for at-risk youth. Some examples of programs supported in 2002-03 include:
 - ~ Personal Acceptance and Change project [Regina]
 - ~ Urban Youth Fund project and Youth Transportation Services program [Prince Albert area]
 - ~ Community Youth Enhancement project [Meadow Lake area]
- Enhance programs that integrate custody and community services for youth:
 - ~ Implement policies and services for youth under the early release provisions of *The Youth Criminal Justice Act* (YCJA) [Corrections and Public Safety]
 - ~ Implement an integrated case management process with Saskatchewan Health to deliver the High Risk and Violent Offender Program and the Intensive Rehabilitative Custody and Supervision sentence [Corrections and Public Safety; Health]
- Implement the YCJA in collaboration with the Departments of Corrections and Public Safety, Justice, Community Resources and Employment, Health and Learning and with Aboriginal organizations, including:
 - ~ Implement an integrated case management system and a risk, needs and strengths assessment
 - ~ Expand the alternative measures program
 - ~ Enhance youth addictions and mental health assessment capacity
- Develop a community-supported continuum of services for youth in Regina and Prince Albert using the structure of the Youth Services Model [Corrections and Public Safety; Health; Learning; Justice]
- Provide \$120,000 for the Saskatchewan Youth in Care and Custody Network to provide

support to youth who are in care of the Minister of Community Resources and Employment, or who were formerly in care, and to give these youth an advocacy group on child welfare programming and other youth serving developments [Community Resources and Employment].

Contact Information

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All budget material is available online:
www.gov.sk.ca/finance/budget

2003 - 04

SASKATCHEWAN Provincial Budget

BUILDING FOR THE FUTURE

Building for the future is a vision, a plan, the Government has for Saskatchewan. Building for the future is about building momentum – for growth and opportunity – and building programs and support for Saskatchewan people.

Budget 2003-04 is the Government's 10th consecutive balanced budget. It continues the tradition of strategically investing to meet the needs of Saskatchewan people while at the same time managing the Province's finances in a responsible, prudent manner.

Healthy and Self-Reliant Families

- A record \$2.5 billion for health
- \$19 million in funding for medical equipment
- \$27 million in health capital funding, increasing to \$34 million for 2004-05
- \$74 million to support collective agreements for 30,000 health professionals
- \$4.4 million to recruit and retain physicians and specialists
- 1,200 students enrolled in a four-year nursing program

Opportunities for Youth

- A record \$1.2 billion for education
- \$76 million in capital improvements for schools and post-secondary institutions
- 80,000 post-secondary and training opportunities, including 30,000 spots for university students
- 5,400 training opportunities in the skilled trades fields
- \$66 million in student loans for 17,000 students, with one-half of this amount as bursaries or grants

Modern and Competitive Infrastructure

- An investment of \$296.2 million to fix the roads, and build better highways
- Accelerating twinning on Highway 1 west, Highway 1 east, and Highway 16 west; resurfacing more than 385 km of provincial highways; upgrading 245 km of Thin Membrane Surface highways; and investing more than \$31 million to preserve, operate and maintain northern highways, bridges and airports
- A \$10 million increase in revenue-sharing grants for municipalities, for the second year in a row – and a commitment for another \$10 million increase next year

A Prosperous and Competitive Economy

- No tax increases – no increase in the Provincial Sales Tax, no increase in Personal Income Tax and no health care premiums
- Full indexation of the Personal Income Tax system to inflation as of January 1, 2004 – meaning the amount of tax payable on a fixed amount of income will decline every year
- A corporate tax reduction for Saskatchewan-based businesses, including a reduction in the small business Corporation Income Tax rate from 6.0 per cent to 5.5 per cent January 1, 2004, and a further reduction to 5.0 per cent in 2005
- An increase in the Corporation Capital Tax exemption for Saskatchewan-based corporations – from \$15 million to \$20 million over the next two years
- An investment of \$145 million for Research and Development expenditures and tax credits

Strong and Vibrant Communities

- \$1 billion over five years to support farmers
- \$240 million annually in tax exemptions and rebates for farmers
- \$29 million in improvements through the Centenary Fund – almost \$10 million is going towards municipal infrastructure projects, as well as highways, rural roads and environmental clean-up projects; nearly \$10 million will go towards new and improved K-12 and post-secondary educational infrastructure; over \$9 million will go towards affordable housing, heritage initiatives and parks
- \$650 million in Crown corporation investments, for upgrading and expanding their services
- \$2 million to create over 950 additional employment support opportunities to assist Social Assistance Program clients with disabilities to develop and sustain employment

All budget material is available on-line:
www.gov.sk.ca/finance/budget



**Government of
Saskatchewan**

